



Felix Perez Camacho  
Governor  
Kaleo Scott Moylan  
Lieutenant Governor

Department of Administration  
(DIPATTAMENTON ATEMENSTRASION)  
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Lourdes M. Perez  
Director  
Joseph C. Manibusan  
Deputy Director

August 17, 2005

RECEIVED

AUG 22 2005

DPC DATA-NRMSIR

DPC Data Inc.  
One Executive Drive  
Fort Lee, New Jersey 07024

RE: Audited Financial Statements for the Year Ended September 30, 2004

Dear Sir/Madam:

*Hafa Adai!*

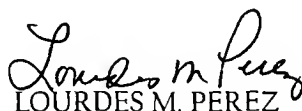
We are pleased to provide you the following reports:

- One (1) copy of the audited Government of Guam General Purpose Financial Statements, Additional Information and Independent Auditors' Report for the year ended September 30, 2004;
- One (1) copy of the Single Audit Report.

Should you have any questions, please contact the Department of Administration, Division of Accounts, Acting Controller, Mrs. Kathrine B. Kakigi at (671) 475-1211/1260.

*Si Yu'os Ma'ase!*

Sincerely,

  
LOURDES M. PEREZ

Director of Administration

Enclosures

2

**GOVERNMENT OF GUAM**

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**BASIC FINANCIAL STATEMENTS,  
ADDITIONAL INFORMATION AND  
INDEPENDENT AUDITORS' REPORT**

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**YEAR ENDED SEPTEMBER 30, 2004**





# GOVERNMENT OF GUAM

## Table of Contents Year Ended September 30, 2004

	<u>Page</u>
I. Independent Auditors' Report	1
Management's Discussion and Analysis	4
II. Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Governmental Fund Financial Statements:	
Balance Sheet	15
Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits)	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) to the Statement of Activities	18
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Assets	19
Statement of Changes in Fiduciary Net Assets	20
Discretely Presented Component Units:	
Statement of Net Assets	21
Statement of Revenues, Expenses, and Changes in Net Assets	22
Notes to the Basic Financial Statements	24
III. Required Supplementary Information - Other than Management's Discussion and Analysis:	
Schedule of Revenues, Expenditures, and Changes in Deficit – Budget and Actual - General Fund	72
Notes to the Required Supplementary Information - Budgetary Reporting	73
IV. Other Supplementary Information:	
Combining Schedule of Expenditures by Object - Governmental Funds	75
Combining Balance Sheet - Nonmajor Governmental Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Nonmajor Governmental Funds	77
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits) - Nonmajor Governmental Funds	78

# GOVERNMENT OF GUAM

## Table of Contents, Continued Year Ended September 30, 2004

	<u>Page</u>
IV. Other Supplementary Information, Continued:	
Introductions:	
Nonmajor Governmental Funds - Special Revenue Funds	79
Nonmajor Governmental Funds - Capital Projects Funds	92
Nonmajor Governmental Funds - Debt Service Funds	93
Nonmajor Component Units	94
Fiduciary Funds	96
Nonmajor Governmental Funds:	
Combining Balance Sheet - Special Revenue Funds	97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Special Revenue Funds	109
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits) - Special Revenue Funds	121
Combining Balance Sheet - Capital Projects Funds	133
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Capital Projects Funds	134
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits) - Capital Projects Funds	135
Combining Balance Sheet - Debt Service Funds	136
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) - Debt Service Funds	137
Fiduciary Funds:	
Statement of Fiduciary Net Assets - Pension Trust	138
Statement of Changes in Fiduciary Net Assets - Pension Trust	139
Statement of Fiduciary Net Assets - Private Purpose Trusts	140
Statement of Changes in Fiduciary Net Assets - Private Purpose Trusts	141
Nonmajor Component Units:	
Combining Balance Sheet	142
Combining Statement of Revenues, Expenses, and Changes in Net Assets	144
Comparative Statements of Net Assets - Primary Government	145
Schedule of Other Financing Sources and Uses - Governmental Funds	146
Schedule of Personnel Count	148

## INDEPENDENT AUDITORS' REPORT

Honorable Felix P. Camacho  
Governor  
Government of Guam:

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam (GovGuam) as of and for the year ended September 30, 2004, which collectively comprise GovGuam's basic financial statements as set forth in Section II of the foregoing table of contents. These financial statements are the responsibility of the management of GovGuam. Our responsibility is to express an opinion on the respective financial statements based on our audit. We did not audit the financial statements of the GovGuam Retirement Fund, which comprises the Fiduciary Funds - Pension Trust Funds, or the Guam Telephone Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Educational Telecommunications Corporation, which represent 13% and 16%, respectively, of the assets and revenues of GovGuam's discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the GovGuam Retirement Fund, the Guam Telephone Authority, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, and the Guam Educational Telecommunications Corporation, is based solely on the reports of the other auditors.

Except as discussed in the following paragraphs, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the respective financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of GovGuam's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion.

While GovGuam's Department of Revenue and Taxation has provided the required data to reconcile to the records of GovGuam's Department of Administration - Division of Accounts, support for such data was insufficient for us to perform procedures to satisfy ourselves as to the effectiveness of the systems surrounding tax related balances, nor could we perform other procedures to enable us to satisfy ourselves with respect to tax related balances in the accompanying financial statements.

Our audit of the respective financial statements did not include the financial activities of the Guam Memorial Hospital Authority and the Guam Visitors Bureau, whose financial activities are included in the aggregate discretely presented component units and represent 5% and 15%, respectively, of the assets and revenues of GovGuam's discretely presented component units. The entities comprising these financial activities were not able to produce audited financial statements and the effect on the respective financial statements is unknown.

In our opinion, based on our audit and the reports of other auditors, except for the effects on the respective financial statements of such adjustments, if any, as might have been determined to be necessary had we been able to substantiate GovGuam's Revenue and Taxation records, as discussed in the third paragraph above, and had we obtained audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors Bureau, as discussed in the fourth paragraph above, such financial statements, as set forth in Section II of the foregoing table of contents, present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Government of Guam as of September 30, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1A to the basic financial statements, GovGuam has implemented the Governmental Accounting Standards Board (GASB) Statement No. 39, *Determining Whether Certain Organizations are Component Units* in 2004. This standard modifies the criteria for defining component units of a governmental entity. As a result of the implementation of this standard, foundations related to the University of Guam and Guam Community College, discretely presented component units, have been added as component units. Beginning net assets of the discretely presented component units have been restated to account for the implementation of this accounting standard.

The Management's Discussion and Analysis, on pages 4 through 12, as well as the Schedule of Revenues, Expenditures, and Changes in Deficit - Budget and Actual - General Fund and notes thereto, as set forth in Section III of the foregoing table of contents, are not a required part of the basic financial statements but are supplementary information required by GASB. This supplementary information is the responsibility of the management of GovGuam. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit such information and we do not express an opinion on it.

Our audit was conducted for the purpose of forming an opinion on GovGuam's respective financial statements that collectively comprise GovGuam's basic financial statements. The Other Supplementary Information, as set forth in Section IV of the foregoing table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements of GovGuam. This supplementary information is the responsibility of the management of GovGuam. Such additional information has been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, except for the effect of the matters described in the third and fourth paragraphs above, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 11, 2005, on our consideration of the Government of Guam's (primary government only) internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Deloitte + Touche LLP*

July 11, 2005

## **GOVERNMENT OF GUAM**

### **Management's Discussion and Analysis Year Ended September 30, 2004**

Our discussion and analysis of the Government of Guam ("GovGuam") financial performance provides an overview GovGuam's financial activities for the fiscal year ended September 30, 2004. Please read it in conjunction with GovGuam's basic financial statements, which follow this section. Fiscal year 2003 comparative information has been included, where appropriate. The amounts included for fiscal year 2003 for the purpose of comparisons have been restated, as further detailed in the fiscal year 2004 notes to the basic financial statements.

#### **FINANCIAL HIGHLIGHTS**

- For the fiscal year ended September 30, 2004, GovGuam's total net assets increased by \$7.8 million (or 19.8%) from \$39.4 million in the prior year to \$47.2 million. This increase is primarily attributable to special items regarding an overprovisioning for estimated income tax refunds (\$18.0 million) and a gain from a tax drawback settlement (\$5.9 million).
- During fiscal year 2004, GovGuam's expenses for governmental activities were \$675.1 million, including expenses recorded or payments made or due to the autonomous agencies, and were funded in part by \$254.5 million in program revenues and \$404.5 million in taxes and other general revenues (excluding special items of \$23.9 million). Expenses were down from fiscal year 2003 by \$25.3 million (or 3.6%) whereas program revenues were up from fiscal year 2003 by \$4.4 million (or 1.8%). This increase in program revenues was primarily due to an increase in charges for services (\$1.9 million) and operating grants and contributions (\$2.5 million).
- For the fiscal year ended September 30, 2004, the General Fund reported general fund appropriations (including transfers out) of \$447.8 million, \$17.4 million in excess of revenues (including transfers in) of \$430.4 million, but were down \$35.9 million (or 7.4%) from fiscal year 2003 primarily because of a decrease in public education related expenditures (down \$11.8 million or 7.5%), debt service related expenditures (down \$6.1 million or 12.7%), and federal grant local match requirements (down \$6.2 million or 23.7%).
- At September 30, 2004, the General Fund reported a total fund balance deficit of \$313.6 million, which is a decrease of \$0.5 million from the prior year deficit of \$314.1 million. This positive change in the deficit is primarily attributable to an increase in the deficit of the unreserved general fund balance of \$3.0 million (or 0.9%) offset by a decrease in the reserve for related assets of \$5.0 million (or 26.0%) and an increase in continuing appropriations of \$7.2 million (or 114.4%).

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to GovGuam's basic financial statements. GovGuam's basic financial statements comprise three components: 1) governmental-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains additional required supplementary information in the form of budgetary schedules, which are prepared on the budgetary basis of accounting, and other optional supplementary information, in addition to the basic financial statements themselves, which includes combining statements for governmental funds and component units.

## **GOVERNMENT OF GUAM**

### **Management's Discussion and Analysis, Continued Year Ended September 30, 2004**

#### **Government-wide Financial Statements**

The government-wide statements report information about GovGuam as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report GovGuam's net assets and how they have changed. Net assets - the difference between GovGuam's assets and liabilities - is one way to measure GovGuam's financial health or position.

- Over time, increases or decreases in GovGuam's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of GovGuam you need to consider additional non-financial factors such as changes in GovGuam's tax base, the condition of GovGuam's roads and infrastructure, and the quality of services.

The government-wide financial statements of GovGuam are divided into two categories:

- Primary government - this grouping comprises governmental activities, which includes most of GovGuam's basic services such as education, public safety, health, finance, judiciary, and general administration. Local sourced tax revenues and other federal grants finance most activities of the primary government.
- Discretely presented component units - GovGuam includes numerous other entities in its report. Although legally separate, these "component units" are important because GovGuam is financially accountable for them.

#### **Fund Financial Statements**

The fund financial statements provide more detailed information about GovGuam's most significant funds - not GovGuam as a whole. Funds are accounting devices that GovGuam uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by enabling legislation.
- GovGuam establishes other funds to control and manage money for particular purposes (like Solid Waste Operations Fund) or to show that it is properly using certain grants (like federal grants reported in the Federal Grants Fund).

GovGuam has two kinds of funds:

- Governmental funds - Most of GovGuam's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of GovGuam's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance GovGuam's programs.

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2004

#### Fund Financial Statements, Continued

- Fiduciary funds - GovGuam is the trustee, or fiduciary, for other assets that because of trust arrangement, can be used only for the trust beneficiaries. GovGuam is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of GovGuam's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of change in fiduciary net assets. We exclude these activities from GovGuam's government-wide financial statements because GovGuam cannot use these assets to finance its operations.

#### A FINANCIAL ANALYSIS OF GOVGUAM AS A WHOLE

Net assets may serve over time as a useful indicator of a government's financial position. At the end of fiscal year 2004, GovGuam's assets exceeded liabilities by \$47.2 million. However, all these net assets are either restricted as to the purpose they can be used for or are invested in capital assets. GovGuam uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although GovGuam's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate the liabilities. The summary of Net Assets (condensed) presented below, with comparable balances for fiscal year 2003, discloses this relationship:

#### GovGuam's Net Assets As of September 30

	<u>2004</u>	<u>2003</u>
Current and other assets	\$ 253,113,093	\$ 298,409,594
Capital Assets	<u>691,343,343</u>	<u>694,468,275</u>
<b>Total Assets</b>	<u>944,456,436</u>	<u>992,877,869</u>
Long-term liabilities	418,957,722	434,115,141
Other liabilities	<u>478,304,897</u>	<u>519,365,702</u>
<b>Total Liabilities</b>	<u>897,262,619</u>	<u>953,480,843</u>
Net assets:		
Invested in capital assets, net of related debt	436,097,699	425,614,417
Restricted net assets	106,647,586	119,643,608
Unrestricted net assets	<u>(495,551,468)</u>	<u>(505,860,999)</u>
<b>Total net assets</b>	<u>\$ 47,193,817</u>	<u>\$ 39,397,026</u>

At the end of fiscal year 2004, GovGuam's unrestricted net assets showed a deficit of \$464.8 million, a decrease of \$12.8 million (or 2.7%) from the prior year. This deficit is the result of having long-term commitments that are greater than currently available resources. Specifically, GovGuam did not include in past annual budgets the full amounts needed to finance future liabilities arising from outstanding bonds payable and other loans as well as to pay for unfunded pension liabilities, closure and post closure costs of the Ordot Dump, and unused employee leave balances. GovGuam will include these amounts in future years' budgets as they become due.



# GOVERNMENT OF GUAM

## Management's Discussion and Analysis, Continued Year Ended September 30, 2004

### Changes in Net Assets

For the year ended September 30, 2004, net assets of the primary government increased by \$7.8 million, an increase of 19.8% from the prior year's net assets of \$39.4 million. This result indicates that GovGuam's financial condition, as a whole, improved from the prior year. For the year ended September 30, 2004, net assets of the primary government changed as follows, with comparable amounts for fiscal year 2003:

### GovGuam's Changes in Net Assets For the Year Ended September 30

	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 35,493,840	\$ 33,530,116
Operating grants and contributions	219,041,228	216,567,613
General revenues:		
Taxes	383,665,309	393,633,680
Investment earnings	1,933,777	4,159,868
Other	<u>18,915,699</u>	<u>10,113,981</u>
Total revenues	<u>659,049,853</u>	<u>658,005,258</u>
<b>Expenses:</b>		
General government	59,605,661	50,871,631
Protection of life and property	80,174,423	74,227,297
Public health	56,670,189	33,019,538
Community services	48,078,057	73,608,780
Recreation	4,280,695	4,176,247
Individual and collective rights	52,881,597	69,197,941
Transportation	20,327,892	13,178,697
Public education	219,796,878	236,073,401
Environmental protection	5,322,000	6,181,185
Economic development	13,572,771	29,519,215
Interest expense (unallocated)	19,590,709	18,915,769
Transfers to persons	988,869	21,709,178
Retirement payments	11,769,271	11,765,192
Payments to autonomous agencies	79,015,267	56,120,011
Payments to private purpose trusts	3,066,133	1,736,294
Capital projects	<u>-</u>	<u>161,920</u>
Total expenses	<u>675,140,412</u>	<u>700,462,296</u>
Deficiency before special items	(16,090,559)	(42,457,038)
Special items	<u>23,887,350</u>	<u>(50,000,000)</u>
Change in net assets	<u>\$ 7,796,791</u>	<u>\$ (92,457,038)</u>

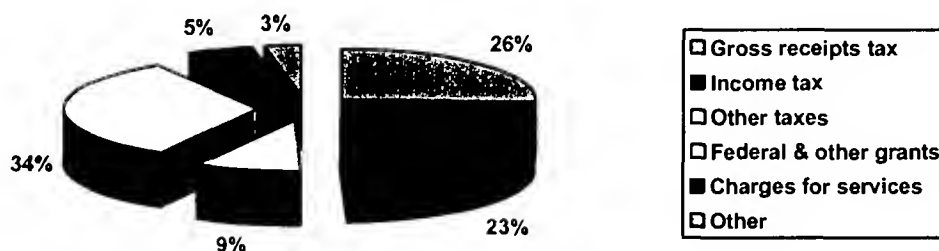
GovGuam's revenues from governmental activities, including local revenues, totaled \$659.0 million in fiscal year 2004. The cost of governmental activities totaled \$675.1 million; the deficiency of \$16.1 million being offset with special items of \$23.9 million representing an overall increase in net assets of \$7.8 million.

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2004

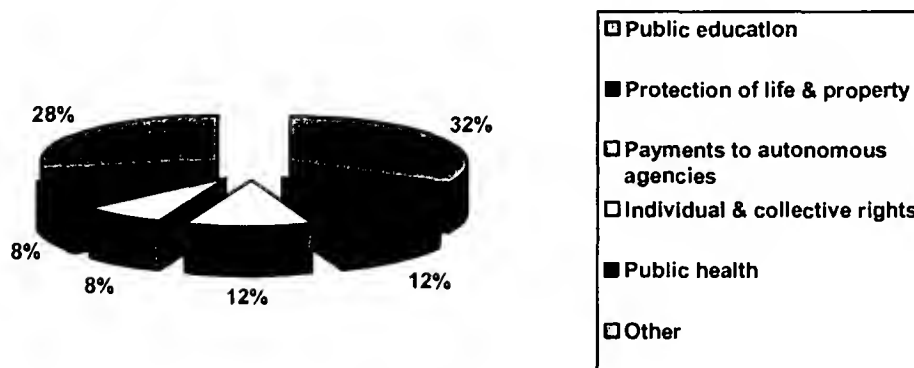
Graphs 1 and 2 below show the major components of revenues and cost of governmental activities.

Graph 1  
GovGuam's Revenue Sources  
For the Year Ended September 30, 2004



As in prior years, local sourced tax revenues and federal and other grants are the major sources of revenue for GovGuam, which comprises of 58% and 34%, respectively, of the total revenues for fiscal year 2004.

Graph 2  
GovGuam's Cost of Governmental Activities  
For the Year Ended September 30, 2004



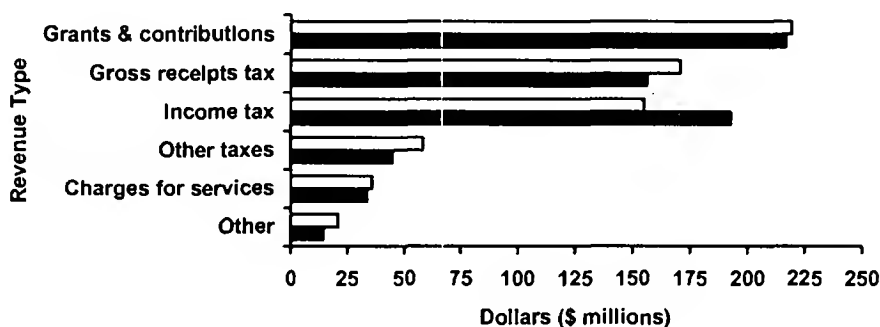
Other expenses that make up a portion of the costs of governmental activities include general government expenses (\$59.6 million), economic development expenses (\$13.6 million), unallocated interest expense (\$19.6 million), transportation expenses (\$20.3 million), and retirement payments (\$11.8 million).

# GOVERNMENT OF GUAM

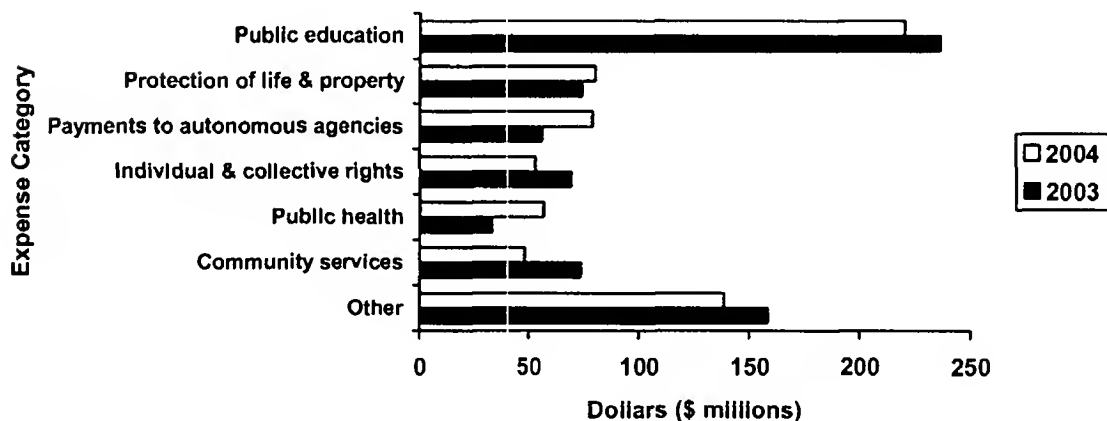
## Management's Discussion and Analysis, Continued Year Ended September 30, 2004

Graphs 3 and 4 below show a comparison of the major components of revenues and cost of governmental activities for fiscal years 2003 and 2004.

Graph 3  
GovGuam's Revenue Sources  
For the Years Ended September 30



Graph 4  
GovGuam's Cost of Governmental Activities  
For the Years Ended September 30



Other expenses in fiscal year 2004 included general government expenses of \$59.6 million, up from \$50.9 million (or 17.2%) in fiscal year 2003, economic development expenses of \$13.6 million, down from \$29.5 million (or 54.0%) in fiscal year 2003, unallocated interest expense of \$19.6 million, up from \$18.9 million (or 3.5%) in fiscal year 2003, transportation expenses of \$20.3 million, up from \$13.2 million (or 54.2%) in fiscal year 2003, and transfers to persons of \$1.0 million, down from \$21.7 million (or 95.4%) in fiscal year 2003.

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2004

#### FINANCIAL ANALYSIS OF GOVGUAM'S FUNDS

As noted earlier, GovGuam uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. As of the end of fiscal year 2004, GovGuam's governmental funds reported a combined fund balance deficit of \$198.7 million, which represents an increase of \$6.5 million (or 3.4%) in comparison with fiscal year 2003. This increase is primarily attributable to the increase in fund balance of the special revenue funds of \$3.3 million and the debt service funds of \$3.0 offset by a decrease in fund balance of the capital projects funds (down \$13.3 million). Of this total combined fund balance deficit, \$159.1 million is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$63.7 million); 2) to fund debt service-related activities (\$36.5 million); 3) to liquidate continuing appropriation commitments (\$31.2 million); or 4) for a variety of other restricted purposes. The combined deficit of GovGuam's governmental funds is \$351.8 million, a decrease of \$49.8 million (or 12.4%) from fiscal year 2003. This deficit will be funded through future budgetary surpluses.

#### General Fund Budgetary Highlights

During the course of the fiscal year, management and elected officials of GovGuam revised the General Fund budget. The revised budget included an increase in overall general fund appropriations of \$10.0 million. The primary reason for the upward revision in general fund appropriations was due to the roll-over of encumbrances from fiscal year 2003.

#### CAPITAL ASSET AND DEBT ADMINISTRATION

##### Capital Assets

GovGuam's investment in capital assets for its governmental activities as of September 30, 2004 amounted to \$847.9 million, with (net of) accumulated depreciation of \$156.6 million, leaving a net book value of \$691.3 million. GovGuam's capital assets include land, infrastructure, buildings, machinery and equipment, and various projects under construction. (See table below). This represents an increase of \$22.9 million (or 2.8%) from fiscal year 2003.

##### GovGuam's Capital Assets September 30, 2004 (net of depreciation)

	<u>2004</u>	<u>2003</u>
Land	\$ 10,440,927	\$ 10,440,927
Infrastructure	451,007,898	422,653,241
Buildings	307,947,795	304,923,734
Machinery and equipment	38,454,379	36,327,862
Construction in progress	<u>40,037,905</u>	<u>50,615,538</u>
	847,888,904	824,961,302
Accumulated depreciation	<u>(156,545,561)</u>	<u>(130,493,027)</u>
	<u>\$ 691,343,343</u>	<u>\$ 694,468,275</u>

## GOVERNMENT OF GUAM

### Management's Discussion and Analysis, Continued Year Ended September 30, 2004

#### Capital Assets, Continued

Major capital asset additions for fiscal year 2004 were as follows:

- \$9.1 million road improvements to the Tumon Bay restoration project.
- \$4.0 million for Phase II of the reconstruction for Route 1, Marine Corps Drive.
- \$2.7 million for road construction for Route 4, Yona to Ylig Bridge.

Additional information on GovGuam's capital assets can be found in note 1K to the basic financial statements.

#### Long-term Debt

The Organic Act authorizes GovGuam to borrow for such purposes as approved by the Legislature. GovGuam has entered into seven separate long-term debt obligations, as indicated below. No new long-term debt obligations were incurred by GovGuam during the year ended September 30, 2004 with overall long-term debt obligations decreasing by \$37.5 million (or 10.3%) in fiscal year 2004.

#### GovGuam's Outstanding Debt September 30, 2004

	<u>2004</u>	<u>2003</u>
Limited Obligation (Section 30) Bonds, 2001 Series A	\$ 64,240,000	\$ 70,675,000
General Obligation Bonds, 1993 Series A	129,595,000	135,235,000
General Obligation Bonds, 1995 Series A	18,960,000	34,920,000
Limited Obligation Highway Refunding Bonds, 2001 Series A	39,770,000	43,890,000
Limited Obligation Infrastructure Improvement Bonds, 1997 Series A	60,110,000	64,195,000
Judicial Building Fund – Farmers Home Administration	4,863,863	5,353,287
General Fund - Note payable	<u>9,207,497</u>	<u>10,000,000</u>
	<u>\$ 326,746,360</u>	<u>\$ 364,268,287</u>

Additional information on GovGuam's long-term debt can be found in note 3 to the basic financial statements.

## **GOVERNMENT OF GUAM**

### **Management's Discussion and Analysis, Continued Year Ended September 30, 2004**

#### **ECONOMIC FACTORS AND NEXT YEAR BUDGETS AND RATES**

Guam benefits from being the westernmost territory of the United States, in close proximity to Asian nations bordering the Pacific Ocean. Guam is a strategic military location and is home to many domestic and international corporations that serve our tourists and military markets. Since 2002, Guam has suffered from the effects of the Gulf/Iraq war, Asian SARS epidemic, typhoon Chata'an in July 2002, and super-typhoon Pongsona in December 2002. The consequences of these events resulted in the loss of private sector jobs, fewer tourist arrivals and increased expenditures in reconstruction efforts. Banks, the U.S. Small Business Administration and the U.S. Federal Emergency Management Agency all played major roles in assisting Guam's economic units rebuild during these past two fiscal years. There is evidence of increased economic activity in fiscal year 2004 that should be sustained, if not grown marginally, into fiscal year 2005.

The unemployment rate for Guam is currently 7.7% as of March 2004, a decrease of 32.5% when compared to 11.4% for the same period in 2002 (2003 N/A). The total number of payroll employment for the first quarter of 2004 was 57,810 employees, an increase of 3.6% when compared to 55,780 employees for the same period in 2003.

Guam's Consumer Price Index (CPI) increased by 2.8% for the first quarter of 2004 when compared to the same period in 2003, with CPI reported at 106.72 for the first quarter of 2004. [1996 =100]

Visitor arrivals totaled 278,359 for the fourth quarter of 2004, a 1.3% increase (3,682 visitors) from the fourth quarter of 2003, and a 23.8% increase (52,808 visitors) when 2003 is compared to the fourth quarter of 2002.

The number and aggregate value of building and construction permits issued on Guam for the first quarter of 2004 were 332 permits valued at \$21,430,000, an increase of 5.7% in terms of the number of permits and a decrease of 5.6% in terms of the aggregate value for the same period in 2003. However, building occupancy permits have risen from 58 to 196, a 238% increase from the first quarter of 2003 to the same period in 2004.

The fiscal year 2005 budget is comprised of two separate public laws: Public Law 27-106 and Public Law 27-107, one bearing the Governor's signature. General fund revenues and expenditures adopted amount to \$447.4 million, considerably higher than that proposed by the Administration. It is unlikely that those revenues will be realized, given that the temporary increase in the gross receipts tax rate reflected in fiscal years 2003 and 2004 revenues has been rolled back, negatively impacting fiscal year 2005 revenues, off-setting anticipated increases in income tax revenues.

#### **CONTACTING GOVGUAM'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the Government of Guam's finances for all of Guam's citizens, taxpayers, customers, and investors and creditors. This financial report seeks to demonstrate the Island's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to: Division of Accounts, Attention: Katherine B. Kakigi, Acting Controller, P.O. Box 884, Hagatña, Guam 96932. Telephone No: (671) 475-1169/1260 Facsimile: (671) 472-8483 Website Address: [www.admin.gov.gu/doa/](http://www.admin.gov.gu/doa/)

# GOVERNMENT OF GUAM

## Statement of Net Assets September 30, 2004

	Primary Government	Component Units
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 53,968,701	\$ 79,441,805
Time certificates of deposit	1,000,718	10,846,992
Investments	8,120,000	1,046,528
Receivables, net:		
Taxes	29,828,260	-
Federal agencies	28,841,942	-
Other	6,618,210	128,188,218
Due from primary government	-	7,302,066
Due from private purpose trusts	580,511	-
Inventories	583,403	41,798,665
Prepayments	424,310	7,395,917
Other current assets	4,143,586	7,902,934
Restricted assets:		
Cash and cash equivalents	106,911,106	57,649,373
Time certificates of deposit	-	602,908
Investments	9,527,793	20,938,570
Receivables	-	419,417
Total current assets	<u>250,548,540</u>	<u>363,533,393</u>
Noncurrent assets:		
Investments	-	38,325,625
Receivables, net	-	34,440,990
Due from primary government	-	20,902,447
Capital assets, net of accumulated depreciation	691,343,343	1,444,621,617
Deferred charges	2,564,553	17,165,218
Deposits and other assets	-	23,784,514
Restricted assets:		
Investments	-	67,459,967
Receivables	-	2,079,326
Total noncurrent assets	<u>693,907,896</u>	<u>1,648,779,704</u>
Total assets	<u>\$ 944,456,436</u>	<u>\$ 2,012,313,097</u>
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft	\$ 4,192,731	\$ -
Current portion of long-term obligations	39,429,243	39,478,861
Current portion of capital leases	-	4,571,680
Accounts payable	58,611,378	72,867,432
Accrued payroll and other	33,829,579	7,092,112
Accrued interest payable	6,127,958	-
Tax refunds	236,179,340	-
Payable to federal agencies	15,609,828	800,133
Due to component units	7,302,066	-
Deferred revenue	51,322,101	7,155,926
Deposits and other liabilities	16,039,421	52,932,420
Compensated absences payable	5,455,206	6,773,648
Total current liabilities	<u>474,098,851</u>	<u>191,672,212</u>
Noncurrent liabilities:		
Compensated absences payable	11,773,681	4,948,036
Capital leases, net of current portion	-	149,525,579
Tax refunds	4,206,046	-
Unfunded pension liability	78,798,674	19,633,702
Long-term obligations, net of current portion	290,841,920	750,623,990
Due to component units	20,902,447	-
Other noncurrent liabilities	16,641,000	32,178,996
Total noncurrent liabilities	<u>423,163,768</u>	<u>956,910,303</u>
Total liabilities	<u>897,262,619</u>	<u>1,148,582,515</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	436,097,699	578,273,521
Restricted for:		
Capital projects	45,556,358	-
Retirement of indebtedness	30,377,164	-
Other purposes	30,714,064	158,280,760
Unrestricted	(495,551,468)	127,176,301
Total net assets	<u>47,193,817</u>	<u>863,730,582</u>
Total liabilities and net assets	<u>\$ 944,456,436</u>	<u>\$ 2,012,313,097</u>

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

## Statement of Activities Year Ended September 30, 2004

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	Component Units
Primary government:						
Governmental Activities:						
General government	\$ 59,605,661	\$ 6,027,723	\$ 66,411,390	\$ -	\$ 12,833,452	\$ -
Protection of life and property	80,174,423	12,200,583	7,509,968	-	(60,463,872)	-
Public health	56,670,189	618,392	31,256,363	-	(24,795,434)	-
Community services	48,078,057	8,711,604	6,153,693	-	(33,212,760)	-
Recreation	4,280,695	134,263	374,831	-	(3,771,601)	-
Individual and collective rights	52,881,597	2,544,617	12,224,679	-	(38,112,301)	-
Transportation	20,327,892	4,519,602	3,863,681	-	(11,944,609)	-
Public education	219,796,878	32,189	52,946,474	-	(166,818,215)	-
Environmental protection	5,322,000	704,867	4,332,808	-	(284,325)	-
Economic development	13,572,771	-	6,440,603	-	(7,132,168)	-
Interest (unallocated)	19,590,709	-	-	-	(19,590,709)	-
Transfer to persons	988,869	-	988,869	-	-	-
Payments to:						
Retirement Fund	11,769,271	-	1,705	-	(11,767,566)	-
Guam International Airport Authority	912,908	-	912,908	-	-	-
Guam Memorial Hospital Authority	9,692,336	-	3,963,879	-	(5,728,457)	-
Guam Power Authority	13,268,745	-	13,268,745	-	-	-
Guam Waterworks Authority	269,092	-	269,092	-	-	-
University of Guam	31,257,662	-	265,778	-	(30,991,884)	-
Guam Visitors Bureau	10,261,893	-	252,455	-	(10,009,438)	-
Guam Community College	12,528,434	-	106,904	-	(12,421,530)	-
Port Authority of Guam	95,512	-	95,512	-	-	-
Guam Economic Development and Commerce Authority	728,685	-	499,696	-	(228,989)	-
Superior court trust funds	3,066,133	-	-	-	(3,066,133)	-
Capital	-	-	6,901,195	-	6,901,195	-
Total primary government	\$ 675,140,412	\$ 35,493,840	\$ 219,041,228	\$ -	(420,605,344)	-
Component Units:						
Guam International Airport Authority	\$ 54,220,394	\$ 46,423,525	\$ 680,142	\$ 6,539,904	-	(576,823)
Guam Memorial Hospital Authority	86,969,007	86,265,174	-	-	-	(703,833)
Guam Telephone Authority	49,187,382	47,025,622	-	-	-	(2,161,760)
Guam Power Authority	236,818,135	225,299,741	-	-	-	(11,518,394)
Guam Waterworks Authority	42,438,249	38,617,489	-	1,175,852	-	(2,644,908)
University of Guam	62,631,198	6,734,388	23,643,186	-	-	(32,253,624)
Nonmajor component units	108,495,972	32,807,259	47,326,933	2,098,049	-	(26,263,731)
	\$ 640,760,337	\$ 483,173,198	\$ 71,650,261	\$ 9,813,805	-	(76,123,073)
General revenues:						
Taxes:						
Income					154,875,272	-
Gross receipts					170,610,706	-
Property					21,737,418	-
Hotel					17,674,859	-
Liquid fuel					8,910,185	-
Other taxes					9,856,869	-
Investment earnings					1,933,777	7,881,740
Contributions from primary government					-	68,931,459
Other					18,915,699	12,605,547
Special items					23,887,350	-
Total general revenues, and special items					428,402,135	89,418,746
Change in net assets					7,796,791	13,295,673
Net assets at beginning of year, as restated					39,397,026	850,434,909
Net assets at end of year					\$ 47,193,817	\$ 863,730,582

See accompanying notes to basic financial statements.



# GOVERNMENT OF GUAM

## Balance Sheet Governmental Funds September 30, 2004

	Special Revenue				
	General	Federal Grants	Solid Waste Operations	Other Governmental Funds	Total
<b>ASSETS</b>					
Cash and cash equivalents	\$ 27,639,147	\$ 2,863,871	\$ 426,058	\$ 23,039,625	\$ 53,968,701
Time certificates of deposit	-	-	-	1,000,718	1,000,718
Investments	-	-	-	8,120,000	8,120,000
Receivables, net:					
Taxes	27,190,094	-	-	2,638,166	29,828,260
Federal agencies	412,926	24,355,754	-	4,073,262	28,841,942
Other	483,409	-	1,539,377	4,595,424	6,618,210
Due from other funds	71,594,861	-	-	73,913,907	145,508,768
Inventories	-	-	-	583,403	583,403
Prepayments	424,310	-	-	-	424,310
Deposits and other assets	3,790,299	-	-	353,287	4,143,586
Restricted assets:					
Cash and cash equivalents	-	-	-	106,911,106	106,911,106
Investments	-	-	-	9,527,793	9,527,793
<b>Total assets</b>	<b>\$ 131,535,046</b>	<b>\$ 27,219,625</b>	<b>\$ 1,965,435</b>	<b>\$ 234,756,691</b>	<b>\$ 395,476,797</b>
<b>LIABILITIES</b>					
Bank overdraft	\$ 3,795,245	\$ -	\$ -	\$ 397,486	\$ 4,192,731
Accounts payable	44,892,966	134,983	-	13,583,429	58,611,378
Accrued payroll and other	23,444,468	999,836	58,131	9,327,144	33,829,579
Due to component units	18,080,309	-	-	10,124,204	28,204,513
Due to other funds	62,426,725	12,017,754	1,886,143	68,597,635	144,928,257
Payable to federal agencies	159,483	14,025,561	-	1,424,784	15,609,828
Deferred revenue	51,291,551	-	1,028,032	30,550	52,350,133
Provision for tax refunds	226,566,629	-	-	13,818,757	240,385,386
Deposits and other liabilities	14,470,825	-	-	1,568,596	16,039,421
<b>Total liabilities</b>	<b>445,128,201</b>	<b>27,178,134</b>	<b>2,972,306</b>	<b>118,872,585</b>	<b>594,151,226</b>
Fund balances (deficits):					
Reserved:					
Encumbrances	10,739,438	34,889,541	224,572	17,872,715	63,726,266
Continuing appropriations	13,465,509	-	-	17,703,995	31,169,504
Related assets	8,286,124	-	-	13,433,030	21,719,154
Debt service	-	-	-	36,505,122	36,505,122
Unreserved (deficits), reported in:					
General fund	(346,084,226)	-	-	-	(346,084,226)
Special revenue funds	-	(34,848,050)	(1,231,443)	(4,831,187)	(40,910,680)
Capital projects funds	-	-	-	35,200,431	35,200,431
<b>Total fund balances (deficits)</b>	<b>(313,593,155)</b>	<b>41,491</b>	<b>(1,006,871)</b>	<b>115,884,106</b>	<b>(198,674,429)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 131,535,046</b>	<b>\$ 27,219,625</b>	<b>\$ 1,965,435</b>	<b>\$ 234,756,691</b>	<b>\$ 395,476,797</b>

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets September 30, 2004

Total deficit - governmental funds \$ (198,674,429)

Amounts reported for governmental activities in the statement of net assets are different because:

Bonds issued by GovGuam have associated costs that are paid from current available resources in the funds. However, these costs are deferred on the statement of net assets 2,564,553

Certain revenues are earned but not available and therefore are deferred in the governmental funds:

Adjustment of deferred revenue 1,028,032

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:

Land	\$ 10,440,927
Construction in progress	40,037,905
Depreciable capital assets and infrastructure, net of \$156,545,561 of accumulated depreciation	<u>640,864,511</u>

Capital assets, net of accumulated depreciation 691,343,343

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. The liabilities include:

Bonds payable	(330,271,163)
Accrued interest payable	(6,127,958)
Compensated absences payable	(17,228,887)
Unfunded pension liability	(78,798,674)
Landfill closure and postclosure costs	<u>(16,641,000)</u>

Long-term liabilities (449,067,682)

Net assets of governmental activities \$ 47,193,817

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

## Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficit) Governmental Funds Year Ended September 30, 2004

	Special Revenue				
	General	Federal Grants	Solid Waste Operations	Other Governmental Funds	Total
<b>Revenues:</b>					
Taxes	\$ 325,485,978	\$ -	\$ -	\$ 58,179,331	\$ 383,665,309
Licenses, fees and permits	2,282,224	-	3,502,692	28,680,892	34,465,808
Use of money and property	120,521	-	1,108	1,812,148	1,933,777
Federal contributions	62,501,258	113,464,540	-	43,075,430	219,041,228
Contributions from component units	2,133,054	-	-	-	2,133,054
Other	16,449,563	-	-	333,082	16,782,645
<b>Total revenues</b>	<b>408,972,598</b>	<b>113,464,540</b>	<b>3,503,800</b>	<b>132,080,883</b>	<b>658,021,821</b>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	30,331,015	5,685,858	-	17,663,928	53,680,801
Protection of life and property	60,403,905	7,974,530	-	11,400,485	79,778,920
Public health	11,312,177	39,899,131	-	5,147,515	56,358,823
Community services	4,070,115	14,606,530	4,078,508	25,100,055	47,855,208
Recreation	3,582,525	374,831	-	53,139	4,010,495
Individual and collective rights	10,391,511	12,060,982	-	30,404,156	52,856,649
Transportation	1,438,035	3,280,742	-	2,660,466	7,379,243
Public education	146,005,349	11,212,084	-	42,809,983	200,027,416
Environmental protection	368	4,345,162	-	350,513	4,696,043
Economic development	3,117,728	6,440,603	-	120,050	9,678,381
Transfer to persons	-	988,869	-	-	988,869
Payments to Retirement Fund	11,767,566	1,705	-	-	11,769,271
Payments to Guam International Airport Authority	-	912,908	-	-	912,908
Payments to Guam Power Authority	-	13,268,745	-	-	13,268,745
Payments to Guam Memorial Hospital Authority	-	3,963,879	-	5,728,457	9,692,336
Payments to Guam Waterworks Authority	-	269,092	-	-	269,092
Payments to University of Guam	28,253,500	265,778	-	2,738,384	31,257,662
Payments to Guam Visitors Bureau	-	252,455	-	10,009,438	10,261,893
Payments to Guam Community College	12,421,530	106,904	-	-	12,528,434
Payments to Port Authority of Guam	-	95,512	-	-	95,512
Payments to Guam Economic Development and Commerce Authority	228,989	499,696	-	-	728,685
Capital projects	-	6,901,195	-	12,658,189	19,559,384
<b>Debt service:</b>					
Principal retirement	-	-	-	37,521,927	37,521,927
Interest and fiscal charges	2,146,092	-	-	18,013,792	20,159,884
<b>Total expenditures</b>	<b>325,470,405</b>	<b>133,407,191</b>	<b>4,078,508</b>	<b>222,380,477</b>	<b>685,336,581</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>83,502,193</b>	<b>(19,942,651)</b>	<b>(574,708)</b>	<b>(90,299,594)</b>	<b>(27,314,760)</b>
<b>Other financing sources (uses):</b>					
Transfers in from other funds	21,385,340	19,946,009	-	121,097,730	162,429,079
Transfers out to other funds	(122,351,770)	(3,358)	-	(43,140,084)	(165,495,212)
<b>Total other financing sources (uses), net</b>	<b>(100,966,430)</b>	<b>19,942,651</b>	<b>-</b>	<b>77,957,646</b>	<b>(3,066,133)</b>
<b>Special items:</b>					
Overprovisioning for tax refunds	17,993,424	-	-	-	17,993,424
Gain from tax drawback settlement	-	-	-	5,893,926	5,893,926
	<b>17,993,424</b>	<b>-</b>	<b>-</b>	<b>5,893,926</b>	<b>23,887,350</b>
<b>Net change in fund balances (deficits)</b>	<b>529,187</b>	<b>-</b>	<b>(574,708)</b>	<b>(6,448,022)</b>	<b>(6,493,543)</b>
<b>Fund balances (deficits) at beginning of year, as restated</b>	<b>(314,122,342)</b>	<b>41,491</b>	<b>(432,163)</b>	<b>122,332,128</b>	<b>(192,180,886)</b>
<b>Fund balances (deficits) at end of year</b>	<b>\$ (313,593,155)</b>	<b>\$ 41,491</b>	<b>\$ (1,006,871)</b>	<b>\$ 115,884,106</b>	<b>\$ (198,674,429)</b>

See accompanying notes to basic financial statements.

## GOVERNMENT OF GUAM

### Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Deficits) to the Statement of Activities September 30, 2004

Total net change in fund balances (deficits) - governmental funds \$ (6,493,543)

Amounts reported for governmental activities in the statement of activities are different because:

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds 1,028,032

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. For the current year these amounts consist of:

Capital outlay	\$ 22,927,602	
Depreciation expense	<u>(26,052,534)</u>	
		(3,124,932)

Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. For the current year these amounts consist of:

Long-term debt retirement	37,521,927
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. For the current year these activities consist of:

Accrued interest	431,995	
Compensated absences	4,768,553	
Unfunded pension costs	(26,472,421)	
Amortization of bond premiums and issuance costs	<u>137,180</u>	
		<u>(21,134,693)</u>

Change in net assets of governmental activities	\$ <u>7,796,791</u>
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See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**

Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2004

	Pension Trusts	Private Purpose Trusts	Agency Fund
	<u>Trusts</u>	<u>Trusts</u>	<u>Fund</u>
<b><u>ASSETS</u></b>			
Cash and cash equivalents	\$ 6,567,749	\$ 6,226,366	\$ -
Investments at fair value:			
Common stocks	590,471,874	-	-
U.S. Government securities	280,041,882	-	-
Corporate bonds and notes	272,326,917	-	-
Money market funds	38,729,970	-	-
Mutual funds	99,947,628	-	-
DC plan forfeitures	6,148,708	-	-
Total investments	<u>1,287,666,979</u>	<u>-</u>	<u>-</u>
Accounts receivable:			
Employer contributions, net	19,171,983	-	-
Member contributions	7,090,700	-	-
Interest and penalties on contributions	4,299,453	-	-
Accrued investment income	5,618,196	-	-
Due from brokers for unsettled trades	9,467,943	-	-
Notes receivable - service credits	7,635,763	-	-
Notes receivable - ERIP	11,115,954	-	-
Receivable - ERIP employer's share	12,625,667	-	-
Supplemental/COLA benefits	99,296,144	-	-
Supplemental/Insurance benefits advanced	4,604,359	-	-
Other	3,142,757	116,301	-
Total receivables	<u>184,068,919</u>	<u>116,301</u>	<u>-</u>
Deposits and other assets	-	-	13,473,213
Capital assets	1,352,815	-	-
Total assets	<u>1,479,656,462</u>	<u>6,342,667</u>	<u>\$ 13,473,213</u>
<b><u>LIABILITIES</u></b>			
Deferred revenue	31,377,384	-	\$ -
Accounts payable and accrued expenses	4,732,013	-	-
Accrued payroll and other	419,722	-	-
Deposits and other liabilities	-	5,333,684	13,473,213
Due to other funds	-	580,511	-
Due to brokers for unsettled trades	7,442,975	-	-
Total liabilities	<u>43,972,094</u>	<u>5,914,195</u>	<u>\$ 13,473,213</u>
<b><u>NET ASSETS</u></b>			
Held in trust for retirement benefits	1,435,684,368	-	
Held in trust for other purposes	-	428,472	
Total net assets	<u>\$ 1,435,684,368</u>	<u>\$ 428,472</u>	

See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended September 30, 2004**

	Pension Trusts	Private Purpose Trusts
Additions:		
Contributions:		
Employer contributions	\$ 68,957,388	\$ -
Member contributions	27,618,619	-
Use of money and property	-	171,007
Transfers in from other funds	-	3,066,133
Total contribution and revenues	<u>96,576,007</u>	<u>3,237,140</u>
Net investment income:		
Net appreciation in fair value	76,365,845	-
Interest	33,283,709	-
Dividends	11,396,669	-
Other	1,941,382	-
Total investment income	122,987,605	-
Less: investment expenses	<u>3,350,907</u>	<u>-</u>
Net investment income	<u>119,636,698</u>	<u>-</u>
Total additions	<u>216,212,705</u>	<u>3,237,140</u>
Deductions:		
Benefits	156,745,731	-
Refunds	18,096,570	-
Administrative and general expense	3,860,159	-
Individual and collective rights	-	2,858,518
Total deductions	<u>178,702,460</u>	<u>2,858,518</u>
Change in net assets	37,510,245	378,622
Net assets at beginning of year	<u>1,398,174,123</u>	<u>49,850</u>
Net assets at end of year	<u>\$ 1,435,684,368</u>	<u>\$ 428,472</u>

See accompanying notes to basic financial statements.

GOVERNMENT OF GUAM

Statement of Net Assets  
Component Units  
September 30, 2004

ASSETS

	Guam International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Telephone Authority	Guam Waterworks Authority	University of Guam	Nonmajor Component Units	Total
<b>Current assets:</b>								
Cash and cash equivalents	\$ 3,489,603	\$ 631,237	\$ 19,154,159	\$ 17,457,028	\$ 4,066,678	\$ 6,209,264	\$ 28,433,836	\$ 79,441,805
Time certificates of deposit	-	-	-	-	-	1,615,998	9,230,994	10,846,992
Investments	-	-	-	-	-	106,800	939,728	1,046,528
Receivables, net	13,083,990	26,963,129	45,407,217	3,140,723	8,404,461	4,647,723	26,540,975	128,188,218
Due from primary government	-	1,007,904	3,749,087	-	-	2,390,754	154,321	7,302,066
Inventories	32,821	1,715,223	32,374,613	4,297,595	2,141,846	682,794	553,773	41,798,665
Prepayments	3,650	249,204	1,347,697	145,957	-	13,100	5,636,309	7,395,917
Deposits and other assets	1,618,829	-	5,804,772	-	53,730	425,603	-	7,902,934
<b>Restricted assets:</b>								
Cash and cash equivalents	-	-	45,317,211	-	165,129	3,238,384	8,928,649	57,649,373
Time certificates of deposit	-	-	-	-	-	-	602,908	602,908
Investments	-	-	-	-	-	6,075,405	14,863,165	20,938,570
Receivables	-	-	-	-	-	-	419,417	419,417
<b>Total current assets</b>	<b>18,228,893</b>	<b>30,566,697</b>	<b>153,154,756</b>	<b>25,041,303</b>	<b>14,831,844</b>	<b>25,405,825</b>	<b>96,304,075</b>	<b>363,533,393</b>
<b>Noncurrent assets:</b>								
Investments	30,544,931	-	-	933,800	-	5,103,394	1,743,500	38,325,625
Receivables, net	-	-	10,309,099	-	-	-	24,131,891	34,440,990
Due from primary government	-	-	20,902,447	-	-	-	-	20,902,447
Capital assets, net of accumulated depreciation	339,891,492	42,281,834	557,237,351	117,075,045	221,668,469	63,644,880	102,822,546	1,444,621,617
Deferred bond issuance costs	11,538,981	-	4,957,694	-	-	-	668,543	17,165,218
Other assets	-	-	7,440,104	113,381	-	-	16,231,029	23,784,514
<b>Restricted assets:</b>								
Investments	33,290,300	-	27,393,130	-	-	6,776,537	-	67,459,967
Receivables	-	-	-	-	-	-	2,079,326	2,079,326
<b>Total noncurrent assets</b>	<b>415,265,704</b>	<b>42,281,834</b>	<b>628,239,825</b>	<b>118,122,226</b>	<b>221,668,469</b>	<b>75,524,811</b>	<b>147,676,835</b>	<b>1,648,779,704</b>
<b>Total assets</b>	<b>\$ 433,494,597</b>	<b>\$ 72,848,531</b>	<b>\$ 781,394,581</b>	<b>\$ 143,163,529</b>	<b>\$ 236,500,313</b>	<b>\$ 100,930,636</b>	<b>\$ 243,980,910</b>	<b>\$ 2,012,313,097</b>

See accompanying notes to basic financial statements.

**GOVERNMENT OF GUAM**

Statement of Net Assets, Continued  
Component Units  
September 30, 2004

	Guam International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Telephone Authority	Guam Waterworks Authority	University of Guam	Nonmajor Component Units	Total
<b>LIABILITIES AND NET ASSETS</b>								
Current liabilities:								
Current portion of long-term debt	\$ 5,600,000	\$ -	\$ 25,935,000	\$ 6,040,035	\$ 445,543	\$ 85,000	\$ 1,373,283	\$ 39,478,861
Current obligations under capital leases	-	-	4,398,150	-	-	173,530	-	4,571,680
Accounts payable	5,978,488	17,293,608	17,885,247	2,084,581	5,561,576	4,050,866	20,013,066	72,867,432
Accrued payroll and other	-	1,357,378	1,627,848	490,181	331,842	-	3,284,863	7,092,112
Payable to federal agencies	-	-	-	-	-	-	800,133	800,133
Deferred revenue	539,796	-	-	-	376,722	4,137,521	2,101,887	7,155,926
Compensated absences	426,699	2,018,086	1,660,029	899,675	384,690	-	1,384,469	6,773,648
Deposits and other liabilities	9,789,210	6,446,198	15,055,330	6,064,224	5,191,381	-	10,386,077	52,932,420
Total current liabilities	22,334,193	27,115,270	66,561,604	15,578,696	12,291,754	8,446,917	39,343,778	191,672,212
Noncurrent liabilities:								
Compensated absences	425,457	1,236,891	917,912	-	660,969	1,011,090	695,717	4,948,036
Capital leases	-	-	149,122,246	-	-	403,333	-	149,525,579
Noncurrent portion of long-term debt	212,411,488	-	390,713,116	95,508,320	8,181,048	260,000	43,550,018	750,623,990
Deposits	-	-	-	-	163,922	2,423,833	276,182	2,863,937
Other noncurrent liabilities	-	879,027	16,075,822	-	11,295,826	-	1,064,384	29,315,059
Accrued unfunded retirement liability	2,119,873	2,634,703	5,049,406	-	4,693,951	721,671	4,414,098	19,633,702
Total noncurrent liabilities	214,956,818	4,750,621	561,878,502	95,508,320	24,995,716	4,819,927	50,000,399	956,910,303
Total liabilities	237,291,011	31,865,891	628,440,106	111,087,016	37,287,470	13,266,844	89,344,177	1,148,582,515
Net Assets:								
Invested in capital assets, net of related debt	133,418,985	42,281,834	8,933,553	14,391,691	221,668,469	61,437,000	96,141,989	578,273,521
Restricted	38,888,149	-	66,871,170	-	165,129	17,475,083	34,881,229	158,280,760
Unrestricted (deficit)	23,896,452	(1,299,194)	77,149,752	17,684,822	(22,620,755)	8,751,709	23,613,515	127,176,301
Total net assets	196,203,586	40,982,640	152,954,475	32,076,513	199,212,843	87,663,792	154,636,733	863,730,582
Total liabilities and net assets	\$ 433,494,597	\$ 72,848,531	\$ 781,394,581	\$ 143,163,529	\$ 236,500,313	\$ 100,930,636	\$ 243,980,910	\$ 2,012,313,097

See accompanying notes to basic financial statements.



**GOVERNMENT OF GUAM**

Statement of Revenues, Expenses, and Changes in Net Assets  
Component Units  
Year Ended September 30, 2004

	Guam International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Telephone Authority	Guam Waterworks Authority	University of Guam	Non-major Component Units	Total
Operating revenues:								
Charges for services	\$ 46,423,525	\$ 86,265,174	\$ 225,299,741	\$ 47,025,622	\$ 38,617,489	\$ 6,734,388	\$ 32,807,259	\$ 483,173,198
Contributions	-	-	-	-	-	1,546,348	47,326,933	48,873,281
Grants and contracts	680,142	-	-	-	-	22,096,838	-	22,776,980
Other	640,321	721,151	1,075,899	-	223,101	4,939,862	5,005,213	12,605,547
Total operating revenues	47,743,988	86,986,325	226,375,640	47,025,622	38,840,590	35,317,436	85,139,405	567,429,006
Operating expenses:								
Cost of services	13,284,453	61,365,445	144,584,558	14,393,946	29,269,500	45,977,733	65,521,794	374,397,429
Depreciation and amortization	19,246,422	3,374,850	24,603,493	17,286,990	9,425,878	2,351,954	6,103,648	82,393,235
General and administrative	11,217,401	33,878,522	23,457,581	10,807,932	3,553,020	11,187,157	34,409,947	128,511,560
Total operating expenses	43,748,276	98,618,817	192,645,632	42,488,868	42,248,398	59,516,844	106,035,389	585,302,224
Operating income (loss)	3,995,712	(11,632,492)	33,730,008	4,536,754	(3,407,808)	(24,199,408)	(20,895,984)	(17,873,218)
Nonoperating revenues (expenses):								
Contributions from the primary government	912,908	9,692,336	-	-	269,092	31,257,662	26,799,461	68,931,459
Contributions to the primary government	-	-	-	-	-	(2,027,256)	-	(2,027,256)
Investment income	1,339,921	-	2,935,964	-	72,526	2,462,337	1,070,992	7,881,740
Interest expense	(9,119,614)	-	(42,702,473)	(5,766,300)	(828,499)	(54,478)	(1,547,514)	(60,018,878)
Other income (expenses), net	(1,352,504)	11,649,810	(1,470,030)	(932,214)	638,648	(1,032,620)	(913,069)	6,588,021
Total nonoperating revenues (expenses), net	(8,219,289)	21,342,146	(41,236,539)	(6,698,514)	151,767	30,605,645	25,409,870	21,355,086
Net income (loss) before capital contributions	(4,223,577)	9,709,654	(7,506,531)	(2,161,760)	(3,256,041)	6,406,237	4,513,886	3,481,868
Capital grants from the United States government	6,539,904	-	-	-	1,175,852	-	2,098,049	9,813,805
Increase (decrease) in net assets	2,316,327	9,709,654	(7,506,531)	(2,161,760)	(2,080,189)	6,406,237	6,611,935	13,295,673
Total net assets at beginning of year, as restated	193,887,259	31,272,986	160,461,006	34,238,273	201,293,032	81,257,555	148,024,798	850,434,909
Total net assets at end of year	\$ 196,203,586	\$ 40,982,640	\$ 152,954,475	\$ 32,076,513	\$ 199,212,843	\$ 87,663,792	\$ 154,636,733	\$ 863,730,582

See accompanying notes to basic financial statements.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies

### A. Reporting Entity

The accompanying basic financial statements of GovGuam (GovGuam) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

Guam is an unincorporated territory of the United States of America with policy relations between Guam and the United States under the jurisdiction of the Office of Territorial and International Affairs, U.S. Department of the Interior. In 1950, the U.S. Congress provided Guam with an Organic Act that organized GovGuam as a constitutional government comprised of locally elected executive and legislative branches and an appointed judicial branch. In addition, Guam has an elected representative to the U.S. Congress who possesses the same powers and privileges as Representatives from the various States, with the exception of voting on the House floor. The Executive Branch consists of a popularly elected Governor and Lieutenant Governor, each serving a four-year term, with executive department heads appointed by the Governor with the consent of the Guam legislature. The Legislative Branch is a unicameral parliament consisting of 15 members elected for a term of two years. The Judicial Branch is comprised of a Territorial Superior Court, a Supreme Court and a U.S. Federal District Court. The U.S. Federal District Court handles U.S. constitutional questions and other Federal cases. Appeals are channeled through the Ninth Circuit Court of Appeals in San Francisco and from there to the U.S. Supreme Court. Under the Organic Act, GovGuam is required to submit to the U.S. Congress and the Secretary of the Interior a comprehensive annual financial report in conformance with the standards of the National Council on Governmental Accounting within 120 days after the close of the fiscal year; however, GovGuam has not complied with this requirement.

For financial reporting purposes, GovGuam has included all funds, organizations, agencies, boards, commissions and institutions, including the Guam Department of Education, which is a line agency of GovGuam and is included within the General Fund. GovGuam has also considered all potential component units for which it is financially accountable as well as other entities for which the nature and significance of their relationship with GovGuam are such that exclusion would cause GovGuam's basic financial statements to be misleading or incomplete. Blended component units are entities that are legally separate from GovGuam, but are so related to GovGuam that they are, in substance, the same as GovGuam or entities providing services entirely or almost entirely to GovGuam. The net assets and results of operations of the following legally separate entities are presented as part of GovGuam's operations:

#### 1. Blended Component Units

The following component units are blended within the Primary Government:

- (a) GovGuam Retirement Fund System, a Fiduciary Fund Type - Pension Trust Fund. The Fund was enacted to provide retirement amenities and other benefits to GovGuam employees, who upon entry to service are eligible for membership. The Fund is governed by a seven member Board of Trustees. Two members are elected by active Fund members; two members are elected by Fund members among the roster of retirees; and three members are appointed by the Governor of Guam.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (1) Summary of Significant Accounting Policies, Continued

#### A. Reporting Entity, Continued

##### 1. Blended Component Units, Continued

- (b) Private purpose trust funds are comprised of trust funds administered by the Superior Court, Public Defender and Supreme Court.

##### 2. Discretely Presented Component Units

Discretely presented component units are entities which are legally separate from GovGuam, but are financially accountable to GovGuam, or whose relationships with GovGuam are such that exclusion would cause GovGuam's basic financial statements to be misleading or incomplete. The component units' column of the basic financial statements includes the financial data of the following entities:

#### Major Component Units:

- (a) The Guam International Airport Authority (GIAA) was created by Public Law 13-57 (as amended) as an autonomous instrumentality of GovGuam to own and operate the facilities of the Guam International Air Terminal. It is charged with the acquisition, construction, operation and maintenance of airports and related facilities for civil aviation on Guam. GIAA supports its operations through landing fees and charges for use of its facilities and through rentals under concessionaire agreements and is governed by a seven member Board of Directors, all of whom are appointed by the Governor of Guam.
- (b) The Guam Memorial Hospital Authority (GMHA) was created by Public Law 14-29 as an autonomous instrumentality of GovGuam to administer and operate the Guam Memorial Hospital. GMHA is governed by a seven member Board of Trustees, all of whom are appointed by the Governor of Guam.
- (c) The Guam Power Authority (GPA) was created by the GPA Act of 1968 and is responsible for the supervision of construction, maintenance of operations and regulations of all electrical utility services within GovGuam. It operates the power system for GovGuam and has created an Island-wide Power System Agreement with the United States Navy. GPA derives revenues from sales of electricity and is governed by the five member Consolidated Commission on Utilities (CCU), all of whom are elected for two or four year terms.
- (d) Guam Telephone Authority (GTA), formerly a division of PUAG, was created as a Public Corporation by Public Law 12-44, pursuant to which the assets and liabilities of the telephone division of PUAG were transferred to GTA. GTA's major source of revenues is derived from billings for local exchange services and tolls for non-local exchange services.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

#### 2. Discretely Presented Component Units, Continued

##### Major Component Units, Continued:

- (e) The Guam Waterworks Authority (GWA), formerly the Public Utility Agency of Guam (PUAG), was created by Public Law 23-119 and is responsible for supervising the construction, maintenance operations and regulations of all water and sewerage services within GovGuam. GWA derives its operating revenues from water and wastewater fees to residential, commercial and government customers, based on consumption, and is governed by the CCU.
- (f) The University of Guam (UOG) was created by Public Law 13-194 and is responsible for operating Guam's institution of higher education. UOG is governed by a nine member Board of Regents, all of whom are appointed by the Governor of Guam.

##### Nonmajor Component Units:

Nonmajor component units are the Guam Community College, the Guam Housing and Urban Renewal Authority, the Guam Housing Corporation, the Port Authority of Guam, the Guam Economic Development and Commerce Authority, the Guam Visitors Bureau, and the Guam Educational Telecommunications Corporation (KGTF-TV).

GovGuam's component units, departments, and funds that are separately audited issue their own basic financial statements. These statements may be obtained by directly contacting the various entities administrative offices or at the web site of the Office of the Public Auditor - [www.guamopa.com](http://www.guamopa.com).

Guam International Airport Authority  
P.O. Box 8770  
Tamuning, GU 96931

Guam Memorial Hospital Authority  
850 Governor Carlos G. Camacho Rd.  
Tamuning, GU 96913

Guam Power Authority  
P.O. Box 2977  
Hagatna, GU 96932

Guam Telephone Authority  
P.O. Box 9008  
Tamuning, GU 96931

Guam Waterworks Authority  
P.O. Box 3010  
Hagatna, GU 96932

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

#### 2. Discretely Presented Component Units, Continued

University of Guam  
303 University Station  
University Drive  
Mangalia, GU 96929

Guam Community College  
P.O. Box 23069, GMF  
Barrigada, GU 96921

Guam Housing and Urban Renewal Authority  
117 Bien Venida Avenue  
Sinajana, GU 96926

Guam Housing Corporation  
P.O. Box 3457  
Hagatna, GU 96932

Port Authority of Guam  
1026 Cabras Hwy, Ste. 201  
Piti, GU 96925

Guam Economic Development and Commerce Authority  
Suite 511, ITC Bldg.  
590 S. Marine Drive  
Tamuning, Guam 96913

Guam Visitors Bureau  
401 Pale San Vitores Road  
Tamuning, GU 96913

Guam Educational Telecommunications Corporation  
P.O. Box 21449  
GMF, GU 96921

Each discretely presented component unit has a September 30 year-end.

In fiscal year 2004, GovGuam implemented GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an amendment of GASB Statement No. 14, which provides additional guidance for determining whether certain organizations should be reported as component units based on the nature and significance of their relationship with the primary government and to clarify reporting requirements for those organizations. As a result, in addition to the aforementioned University of Guam (UOG) and Guam Community College (GCC) component units, the accompanying component units column of the basic financial statements includes the University of Guam Endowment Foundation, Inc. and the Guam Community College Foundation, Inc., which are legally separate, tax-exempt, separately audited, component units of UOG and GCC, respectively.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### A. Reporting Entity, Continued

#### 2. Discretely Presented Component Units, Continued

These entity's resources can only be used by or are for the benefit of UOG and GCC to which they serve. They are presented within the respective financial statements of UOG and GCC because of the nature and significance of them to these entities. Complete financial statements of the foundations may be obtained at their respective offices. The foundations are not considered major component units of GovGuam under the definitions put forth under GASB Statement 34, but are blended within UOG and GCC.

#### 3. Omitted Governmental Funds

The following funds are considered to be nonmajor governmental funds of GovGuam but are not included in the accompanying basic financial statements due to absence of account balances and financial activities. Accordingly, the omission of these funds is not considered material to either the nonmajor governmental funds or the governmental activities reporting units:

Aquaculture Development and Training Fund  
CAHA, OET & CEF Fund  
Chamorro Education Assistance Fund  
Chamorro Home Loan Fund  
Chamorro Home Repair Fund  
Chamorro Home Development Fund  
Chamorro Loan Guarantee Fund  
Coastal Zone Management Fund  
District Improvement Fund  
GFD Capital Outlay Revolving Fund  
GSA Liquidated Damages Fund  
Healthcare Systems Privatization Fund  
Komitea Para Tiyan Fund  
Land Acquisition Fund  
Land Claims Fund  
Medicaid and Medically Indigent Program Assistance Payment Fund  
Municipal Litter Defacement Fund  
Ocean Freight Legal Fund  
Off-island Travel Fund  
Overtime Fund  
Rainy Day Fund  
Tiyan Trust Fund  
Typhoon Paka Emergency Fund  
Vocational Rehabilitation Revolving Fund

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (1) Summary of Significant Accounting Policies, Continued

#### B. Government-Wide and Fund Financial Statements

The Statement of Net Assets and the Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from these statements except for other charges between the primary government and the discretely presented component units. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Primary government activities are defined as either governmental or business-type activities. Governmental activities, which normally are supported by taxes, intergovernmental revenues and other non-exchange revenues, are reported separately from business-type activities, which rely to a significant extent on fees charged to external parties for goods or services. As such, business-type activities account for operations similarly to a for-profit business. GovGuam did not report any business-type activities during the year ended September 30, 2004. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. Discretely presented component unit activities are presented with their business-type focus.

The Statement of Net Assets presents all of the reporting entity's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets.
- Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law.
- Unrestricted net assets consist of net assets, which do not meet the definition of the two preceding categories. Unrestricted net assets often are designated, (for example, internally restricted), to indicate that management does not consider them to be available for general operations.

The government-wide Statement of Net Assets reports \$106,647,586 of restricted net assets, of which \$30,714,064 is restricted by enabling legislation.

The Statement of Activities demonstrates the degrees to which the direct expenses of given functions or segments are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function or segment. Program revenues include charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are, instead, reported as general revenue.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### C. Fund Financial Statements

The fund financial statements present a balance sheet and a statement of revenues, expenditures, and changes in fund balances for its major and aggregated non-major funds. Separate financial statements are provided for governmental funds and fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements pursuant to GASB reporting standards, with nonmajor governmental funds being combined into a single column.

GovGuam reports its financial position and results of operations in funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures/expenses. Transactions between funds within a fund type, if any, have not been eliminated.

### D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements account for the general governmental activities of GovGuam and are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, GovGuam considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Significant revenues susceptible to accrual include income and gross revenue taxes, federal grants, federal reimbursements and other reimbursements for use of materials and services. Miscellaneous revenues from other financing sources are recognized when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Investments and related investment earnings are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Expenditures generally are recorded in the period in which the related fund liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Amounts reported as program revenue include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. General revenue is derived from taxation, investment income and other fees that are not allocated to specific programs.



# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### D. Measurement Focus and Basis of Accounting, Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues are reported as nonoperating. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. GovGuam reports the following fund types:

#### 1. Governmental Fund Types

##### i. General Fund

This fund is the primary operating fund of GovGuam. It is used to account for all governmental transactions, except those required to be accounted for in another fund.

##### ii. Special Revenue Funds

These funds account for specific revenue sources that have been aggregated according to enabling legislation to support specific governmental activities.

##### iii. Capital Projects Funds

These funds account for the acquisition or construction of major GovGuam capital facilities financed primarily from loans and federal reimbursements.

##### iv. Debt Service Funds

These funds account for the accumulation of resources, principally transfers from other funds, for the payment of long-term debt principal and interest.

#### 2. Fiduciary Fund Types

##### i. Pension Trust Funds

These funds report resources that are required to be held in trust for the members and beneficiaries of GovGuam's pension plans.

##### ii. Private Purpose Funds

These funds are used to account for resources held in trust under which principal and income benefit certain individuals.

##### iii. Agency Fund

This fund is used to report resources held by the primary government in a purely custodial capacity.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### D. Measurement Focus and Basis of Accounting, Continued

GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - Omnibus*, sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses for either fund category or the governmental and enterprise combined) for the determination of major funds. GovGuam elected to add certain other major funds that had specific public interest. Major individual governmental funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements and detailed in the combining statements. GovGuam reports the following major funds:

Federal Grants Assistance Fund, a Governmental Fund Type - Special Revenue Fund. This fund accounts for all activities of U.S. special federal assistance grants and contracts utilized by GovGuam to finance general governmental operations.

Solid Waste Operations Fund, a Governmental Fund Type - Special Revenue Fund. This fund was created by Public Law 24-272 to provide a financing source for GovGuam's costs and expenses directly related to the closure and post-closure of the solid waste landfill.

### E. Reporting Standards

As allowed by GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*, GovGuam's discretely presented component units follow all GASB pronouncements and those Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

### F. Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the Territorial financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

Budgetary control is maintained within the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effective with certain executive and legislative branch approval. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations. Encumbrance accounting is utilized for budgetary control purposes. Encumbrances outstanding at year-end are reported as reservations of fund balance and remain as reservations of fund balance until expended or cancelled.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### F. Budgetary Process, Continued

Actual amounts in the budgetary comparison statements are presented on a basis that excludes outstanding encumbrances as a budgetary expenditure. Encumbrances are commitments related to unperformed (executory) contracts for goods or services and are generally evidenced by outstanding purchase orders, contracts and interdepartmental work requests.

### G. Cash and Cash Equivalents and Time Certificates of Deposit

Cash and cash equivalents include cash held in demand accounts as well as short-term investments with a maturity date within three months of the date acquired by GovGuam. Deposits maintained in time certificates of deposit with original maturity dates greater than three months are separately classified on the statement of net assets/balance sheet.

As of September 30, 2004, the carrying amount of the primary government's total cash and cash equivalents and time certificates of deposit was \$174,674,640 and the corresponding bank balances were \$194,076,682, which is primarily maintained in financial institutions subject to Federal Deposit Insurance Corporation (FDIC) insurance. As of September 30, 2004, bank deposits in the amount of \$983,015 were FDIC insured. Deposits in banks are required by section 114 of 5 GCA 21, *Investments and Deposits*, to be secured by qualified collateral in the amount of 110% or more of the deposit balance. However, GovGuam does not enforce the requirement on a consistent basis. Therefore, substantially all cash and cash equivalents and time certificates of deposit of GovGuam are uncollateralized.

Restricted cash and cash equivalents as of September 30, 2004, for the primary government, represent amounts held and administered by GovGuam's trustees in accordance with various bond indentures for the purpose of funding debt service requirements and future capital projects, which amount to \$68,686,143 and \$38,224,963, respectively.

### H. Inventories

Inventories of the primary government and the discretely presented component units are valued at the lower of cost (FIFO) or market.

### I. Receivables

In general, tax revenue is recognized on the government-wide financial statements when assessed or levied and on the governmental financial statements to the extent that it is both measurable and available. Receivables are stated net of estimated allowances for uncollectible accounts. Reimbursements due to GovGuam for expenditures on federally funded reimbursement and grant programs are reported as "receivables from federal agencies."

Receivables of the primary government and the discretely presented component units are primarily due from businesses and individuals residing on the island of Guam. The allowance for uncollectibles primarily represents those accounts that are more than ninety days delinquent as of September 30, 2004.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (1) Summary of Significant Accounting Policies, Continued

#### I. Receivables, Continued

Receivables as of September 30, 2004, for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate, including allowances for uncollectible accounts, are as follows:

	<u>General</u>	<u>Federal Grants</u>	<u>Solid Waste Operations</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Receivables:					
Taxes	\$ 165,334,403	\$ -	\$ -	\$ 37,110,580	\$ 202,444,983
Federal grants	412,926	24,355,754	-	4,073,262	28,841,942
Other	<u>8,107,353</u>	<u>-</u>	<u>5,773,583</u>	<u>5,872,721</u>	<u>19,753,657</u>
	173,854,682	24,355,754	5,773,583	47,056,563	251,040,582
Less: allowance for uncollectibles	<u>(145,768,253)</u>	<u>-</u>	<u>(4,234,206)</u>	<u>(35,749,711)</u>	<u>(185,752,170)</u>
Net receivables	<u>\$ 28,086,429</u>	<u>\$ 24,355,754</u>	<u>\$ 1,539,377</u>	<u>\$ 11,306,852</u>	<u>\$ 65,288,412</u>

Receivables recorded by the fiduciary funds are as follows:

#### GovGuam Retirement Fund (GGRF):

In March 1998, GGRF accepted a promissory note from the Guam Memorial Hospital Authority in the amount of \$9,385,720 for the outstanding balance of contributions owed with related penalties and interest to GGRF. The note bears interest at the bank's prime rate plus 1%, with a floor amount of 8%. At September 30, 2004, the balance on the note was \$5,788,134. Management of GGRF has fully provided for this note in the allowance for uncollectibles. As payments are made against this note, GGRF decreases the allowance for uncollectibles with a corresponding offset included in bad debt recoveries.

Public Law 24-327, as amended, became effective December 30, 1998 relative to GovGuam's Early Retirement Incentive Program (ERIP). This law allowed GGRF members with at least twenty years of creditable service to retire and to purchase up to five years of creditable service. Those electing to participate in the ERIP must pay the members' share of the required contribution, plus interest, based on their salary at the time they made the election; the time period in which the member was required to make the election being December 30, 1998 to January 7, 2000. Payments can be made in full or can be financed through deductions from annuities over a period not to exceed fifteen years.

Approximately 800 members elected to participate in the ERIP and signed promissory notes totaling nearly \$15 million. At September 30, 2004, the amount owed under these notes was \$11,115,954. There is a corresponding deferred revenue account to offset these notes receivable, since contribution income is recognized on a cash basis as amounts are collected from retirees. GovGuam's share of these contributions has been recognized in the amount of \$12,625,667 at September 30, 2004. This receivable has also been offset by deferred revenue in the same amount.

Public Law 25-72, passed in September 1999, required the payment of supplemental annuities and cost of living allowances to retirees, and specified that these payments were an obligation of the General Fund and not of GGRF. The cost of these benefits is to be paid through increased contributions over a period of twenty years. As the payment of these benefits is contingent upon an annual appropriation, no liability of \$99,296,144 has been recognized in the General Fund of GovGuam.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (1) Summary of Significant Accounting Policies, Continued

#### J. Interfund Receivables/Payables

During the course of its operations, GovGuam records transactions between individual funds for goods provided or services rendered. Receivables and payables resulting from transactions between funds are classified as "due from other funds" or "due to other funds" on the governmental fund balance sheet. Receivables and payables resulting from transactions between component units and the primary government are classified as "due to/from primary government" or "due to/from component units" on the governmental fund balance sheet and the statement of net assets. Interfund receivables and payables have been eliminated from the Statement of Net Assets.

Receivables and payables between funds reflected as due to/from other funds in the combined balance sheet at September 30, 2004, are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Federal Grants	\$ 12,017,754
General	Solid Waste Operations	1,886,143
General	Nonmajor governmental funds	57,690,964
Nonmajor governmental funds	General	62,426,725
Nonmajor governmental funds	Nonmajor governmental funds	10,906,671
Nonmajor governmental funds	Fiduciary Funds	<u>580,511</u>
		<u>\$ 145,508,768</u>

These balances result from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made, and are scheduled to be collected in the subsequent year.

Interfund receivables not expected to be repaid within the next twelve months are summarized as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Community Health Centers	\$ 900,911
General	Tourist Attraction	7,385,213
Limited Obligation Highway Improvement Bonds (DSF)	General	4,711,444
Limited Obligation Infrastructure Improvement Bonds (DSF)	Tourist Attraction	6,014,256
General Obligation Bonds 1994 Series A (DSF)	General	<u>2,070,174</u>
		<u>\$ 21,081,998</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

(1) Summary of Significant Accounting Policies, Continued

J. Interfund Receivables/Payables, Continued

Balances reflected as due to component units in the balance sheet at September 30, 2004, are summarized as follows:

General Fund:

Guam Memorial Hospital Authority	\$ 1,007,904
Guam Power Authority	14,527,330
University of Guam	2,390,754
Nonmajor component units	154,321
Nonmajor governmental funds:	
Guam Power Authority	<u>10,124,204</u>
	<u>\$ 28,204,513</u>

Guam Power Authority has entered into payment agreements with the primary government to be paid over five to nine years. Details of these payment agreements are as follows:

Receivable from primary government (Guam Department of Education), due in 109 monthly installments, inclusive of interest at 4.47% per annum (\$500,000 per month for the first three months, then \$100,000 per month escalating at intervals to \$200,000 per month), beginning July 20, 2004, with the final installment payment due in July 2013, uncollateralized.

\$ 14,527,330

Receivable from primary government (Department of Public Works), due in 60 monthly installments of \$75,000, beginning May 2002, including interest at 4.35% per annum, with the final installment payment due in April 2007, uncollateralized. Management is of the opinion that this balance may change and be charged to another fund or may be reversed as there is no appropriation to process payment. However, at this time, it is not possible to determine the ultimate outcome of this matter or the potential impact on the accompanying financial statements

10,124,204

\$ 24,651,534

Future obligations under these payment agreements are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2005	\$ 3,749,087
2006	1,895,810
2007	7,122,930
2008	1,575,298
2009	1,953,398
2010 - 2013	<u>8,355,011</u>
	<u>\$ 24,651,534</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### K. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure (e.g. roads, bridges, ramps and other similar items), are reported in the governmental activity column of the government-wide financial statements. Such assets, whether purchased or constructed, are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets are capitalized when the cost of the individual items exceeds \$50,000. The costs of normal maintenance and repairs that do not add to the value of asset or materially extend assets lives are not capitalized.

Capital assets of the primary government are depreciated using the straight-line method with a full year's depreciation charged in the year of acquisition and disposal, regardless of date. Estimated useful lives are as follows:

Buildings	40 - 60 years
Infrastructure - roads, and bridges	25 years
Furniture	7 years
Equipment, office equipment and specialized equipment	5 - 20 years
Computer hardware and software	5 - 7 years
Vehicles	5 - 20 years

Capital asset activities of the primary government for the year ended September 30, 2004, are as follows.

	Balance October 1, 2003	Additions	Retirements	Balance September 30, 2004
Governmental activities:				
Nondepreciable capital assets:				
Land	\$ 10,440,927	\$ -	\$ -	\$ 10,440,927
Construction in progress	<u>50,615,538</u>	<u>19,920,915</u>	<u>(30,498,548)</u>	<u>40,037,905</u>
	<u>61,056,465</u>	<u>19,920,915</u>	<u>(30,498,548)</u>	<u>50,478,832</u>
Depreciable capital assets:				
Buildings	304,923,734	3,024,061	-	307,947,795
Machinery, equipment and Furniture	36,327,862	2,126,517	-	38,454,379
Infrastructure	<u>422,653,241</u>	<u>28,354,657</u>	-	<u>451,007,898</u>
	<u>763,904,837</u>	<u>33,505,235</u>	-	<u>797,410,072</u>
Less accumulated depreciation	<u>(130,493,027)</u>	<u>(26,052,534)</u>	-	<u>(156,545,561)</u>
Depreciable capital assets, net	<u>633,411,810</u>	<u>7,452,701</u>	-	<u>640,864,511</u>
	<u>\$ 694,468,275</u>	<u>\$ 27,373,616</u>	<u>\$ (30,498,548)</u>	<u>\$ 691,343,343</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### K. Capital Assets, Continued

Depreciation expense was charged to functions/programs of the primary government's governmental activities as follows:

General government	\$ 279,203
Protection of life and property	395,503
Public health	311,366
Community services	222,849
Recreation	270,200
Individual and collective rights	543,411
Transportation	13,310,180
Public education	6,199,475
Environmental protection	625,957
Economic development	<u>3,894,390</u>
	<u>\$ 26,052,534</u>

### L. Deferred Revenues

In the government-wide financial statements, deferred revenue is recognized when cash, receivables or other assets are recorded prior to being earned. In the governmental fund financial statements, deferred revenue represents monies received or revenues accrued which have not been earned or do not meet the "available" criterion for revenue recognition under the modified accrual basis of accounting. The deferred revenue in the governmental fund types has primarily resulted from federal funds received in advance of eligible expenditures.

### M. Bond Premiums and Issuance Costs

In the government-wide financial statements, bond premiums and issuance costs are deferred and amortized over the term of the bonds using the straight-line method. Bonds payable are reported net of bond premiums. Bond issue costs are reported as deferred charges.

In the fund financial statements, governmental fund types recognize bond premiums and issuance costs in the period the bond proceeds are received. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as expenditures.

### N. Interfund/Intrafund Transactions

As a general rule, the effect of interfund activity has been eliminated in the government-wide financial statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.



# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### N. Interfund/Intrafund Transactions, Continued

Operating transfers in/out for each major governmental fund and nonmajor governmental funds in the aggregate, for the year ended September 30, 2004, are as follows:

<u>Source</u>	<u>Recipient</u>	<u>Transfers Out</u>	<u>Transfers In</u>
<u>Major Governmental Funds</u>			
General	Federal Grants	\$ 19,946,009	\$ 19,946,009
General	Nonmajor governmental funds	102,405,761	21,385,340
Federal Grants	Nonmajor governmental funds	3,358	-
		<u>122,355,128</u>	<u>41,331,349</u>
<u>Nonmajor Governmental Funds</u>			
General	Nonmajor governmental funds	21,385,340	102,405,761
Federal Grants	Nonmajor governmental funds	-	3,358
Nonmajor governmental funds	Nonmajor governmental funds	18,688,611	18,688,611
Nonmajor governmental funds	Fiduciary funds	3,066,133	-
		<u>43,140,084</u>	<u>121,097,730</u>
<u>Fiduciary Funds</u>			
Nonmajor governmental funds	Fiduciary funds	-	3,066,133
		<u>\$ 165,495,212</u>	<u>\$ 165,495,212</u>

Transfers are used to 1) move revenues from the fund that enabling legislation or budget requires to collect them to the fund that enabling legislation or budget requires to expend them, 2) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations, and 3) record reductions in interfund loans for amounts that are not expected to be repaid.

### O. Fund Equity/Net Assets

GovGuam reports net assets as restricted where legally segregated for a specific future use. Otherwise, these balances are considered unrestricted.

Net Assets have been restricted as follows:

“Restricted for capital projects” - identifies amounts reserved for capital projects.

“Restricted for retirement of indebtedness” - identifies amounts reserved for debt service.

“Restricted for other purposes” - identifies amounts held for various externally imposed restrictions either by creditors, grantors or laws and regulations of other governments. It also includes various restrictions put forth by the GovGuam enabling statutes. Included in this restriction are reserves for prior appropriations continued.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (1) Summary of Significant Accounting Policies, Continued

#### O. Fund Equity/Net Assets, Continued

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

The unreserved fund balances for the governmental funds represent the amount available for budgeting future operations. The reserve for related assets for the primary government's individual major governmental funds and nonmajor governmental funds in the aggregate as of September 30, 2004, are as follows:

	<u>General</u>	<u>Federal Grants</u>	<u>Solid Waste Operations</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
Receivables:					
Other	\$ -	\$ -	\$ -	\$ 131,312	\$ 131,312
Due from other funds (see note 1J)	8,286,124	-	-	12,795,874	21,081,998
Inventories	-	-	-	505,844	505,844
	<u>\$ 8,286,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,433,030</u>	<u>\$ 22,719,154</u>

#### P. Capital Projects Funds

The use of the Capital Projects Funds was initiated as of September 30, 1983, and is utilized for funding derived primarily from appropriations from the U.S. Government and through issuance of bonds. Capital expenditures related to projects funded with local revenues are reported in the fund where appropriated.

#### Q. Compensated Absences

Public Law 27-005 was enacted in February 2003 amending the accumulation of annual leave. The statute amended the vacation rates employees are credited to 104 and 156 hours per year, depending upon their length of service.

1. One-half day (4 hours) for each full bi-weekly pay period in the case of employees with less than five (5) years of service
2. Three-fourths day (6) hours for each full bi-weekly pay period in the case of employees with more than five (5) years of service.

The statute further amended the maximum accumulation of such vacation credits from 480 to 320 hours. Employees who have accumulated hours in excess of the 320 hours shall have up to September 30, 2004, to use the excess amount of leave or that portion permitted to be credited to sick leave and the remainder of excess leave will be lost. It is not known at this time the impact this will have on the basic financial statements.

Vacation pay is convertible to pay upon termination of employment. Compensated absences are recorded as a long-term liability in the statement of net assets. Amounts to be paid during the next fiscal year are reported as current. For the governmental fund financial statements, vested or accumulated vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures and fund liabilities.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

(1) Summary of Significant Accounting Policies, Continued

Q. Compensated Absences, Continued

Public Law 26-86 allows members of the Defined Contribution Retirement System to receive a lump sum payment of one-half of their accumulated sick leave upon retirement. GovGuam has accrued an estimated liability of \$8,119,121 at September 30, 2004 for potential future sick leave payments as a result of this law. However, this amount is an estimate and actual payout may be materially different than estimated.

R. Fund Deficits

Specific individual funds that had significant individual deficit fund balances as at September 30, 2004, are as follows:

Major Governmental Funds

General Fund	\$ <u>313,593,155</u>
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Solid Waste Operations Fund	\$ <u>1,006,871</u>
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Nonmajor Governmental Funds

Chamorro Commercial Loan Fund	\$ <u>434,823</u>
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Community Health Centers Fund	\$ <u>269,692</u>
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Territorial Highway Fund	\$ <u>11,519,114</u>
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Tourist Attraction Fund	\$ <u>11,960,105</u>
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S. Restatement of Primary Government Fund Balance Deficit/Net Assets

	<u>Governmental Fund Level</u>	<u>Government Wide Level</u>
Deficit/net assets, as previously reported September 30, 2003	\$ (191,723,789)	\$ <u>68,282,513</u>
Understatement of capital assets, net of accumulated depreciation, previously reported for governmental activities	-	7,885,781
Understatement of GASB Statement No. 18 liability for closure and post closure costs	-	(16,641,000)
Understatement of compensation absences payable previously reported for governmental activities	-	(7,682,822)
Understatement of unfunded pension liability previously reported for governmental activities	-	(11,990,349)
Other	<u>(457,097)</u>	<u>(457,097)</u>
	<u>(457,097)</u>	<u>(28,885,487)</u>
Deficit/net assets, as restated September 30, 2003	\$ (192,180,886)	\$ <u>39,397,026</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (1) Summary of Significant Accounting Policies, Continued

### T. New Accounting Standards

During fiscal year 2004, GovGuam implemented GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units (an amendment of GASB Statement 14)*, and GASB Statement No. 46, *Net Assets Restricted by Enabling Legislation*. GASB Statement No. 39 provides additional guidance on GASB Statement No. 14, in determining whether an entity should be reported as a component unit based on the nature and significance of their relationship with a primary government. GASB Statement No. 46 establishes and modifies requirements of GASB Statement No. 34 related to restrictions of net assets resulting from enabling legislation.

For fiscal year 2005, GovGuam will be implementing GASB Statement No. 40, *Deposit and Investment Risk Disclosures (an amendment of GASB Statement No. 3)*, and GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest risk, GASB Statement No. 40 requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. GASB Statement No. 42 establishes standards for impairment of capital assets when its service utility has declined significantly and unexpectedly. Management does not believe that the implementation of these statements will have a material effect on the financial statements of GovGuam.

In May 2004, GASB issued Statement No. 44, *Economic Condition Reporting: The Statistical Section, an amendment to NCGA Statement 1*. GASB Statement No. 44 improves the understandability and usefulness of statistical section information and adds information from the new financial reporting model for state and local governments required by GASB Statement No. 34. The provisions of this Statement are effective for periods beginning after June 15, 2005. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GovGuam.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities, note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The provisions of this Statement are effective for periods beginning after December 15, 2008. Management does not believe that the implementation of this statement will have a material effect on the financial statements of GovGuam.

### U. Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results may differ from those estimates.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (2) Investments

GASB Statement No. 3 requires government entities to categorize investments to give an indication of the level of credit risk assumed by the entity at year-end. The three categories are described below:

- |            |  |
|------------|--|
| Category 1 | Insured or registered, or securities held by GovGuam or its agent in GovGuam's name;   |
| Category 2 | Uninsured and unregistered, with securities held by the broker's or dealer's trust department or agent in GovGuam's name; or             |
| Category 3 | Uninsured and unregistered, with securities held by the broker or dealer, or by its trust department or agent but not in GovGuam's name. |

Investments of the primary government, totaling \$17,647,793, are comprised of U.S. Government debt securities and commercial paper held by GovGuam's trustees with maturity dates in excess of ninety days. These investments are classified as Category 1 investments. Of this amount, \$9,527,793 is held and administered by GovGuam's trustees in accordance with various bond indentures for the purpose of funding debt service requirements and future capital projects, which amount to \$9,009,000 and \$518,793, respectively.

### (3) Long-Term Obligations

As of September 30, 2004, the primary government had the following long-term debt outstanding:

Limited Obligation (Section 30) Bonds, 2001 Series A (original issue of \$76,895,000), varying interest rates at 3.25% - 5.5% per annum, payable semiannually in June and December, principal fund payments due in varying annual installments commencing with a payment of \$6,220,000 in December 2002 and increasing to \$9,565,000 in December 2011. The bonds have been issued for the purpose of providing money to repay the outstanding amounts of certain debt, including the 1989 Water System Revenue Bonds, the debt of the Guam Memorial Hospital Authority and the voluntary service debt.	\$ 64,240,000
Add net unamortized premium on bonds	<u>3,524,803</u>
	<u>67,764,803</u>

General Obligation Bonds, 1993 Series A (original issue of \$175,000,000), varying interest rates at 3% - 5.4% per annum, payable semiannually in May and November, principal fund payments due in varying annual installments commencing with a payment of \$2,490,000 in November 1994 and increasing to \$12,140,000 in November 2018. The bonds have been issued for the purpose of implementing capital projects.	129,595,000
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# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (3) Long-Term Obligations, Continued

General Obligation Bonds, 1995 Series A (original issue of \$115,000,000), varying interest rates at 4.6% - 6% per annum, payable semiannually in March and September, principal fund payments due in varying annual installments commencing with a payment of \$5,650,000 in September 1996 and increasing to \$16,785,000 in September 2005, with a final payment due of \$2,085,000 in September 2006. The bonds have been issued for the purpose of implementing certain capital projects and payment of certain general fund expenditures.

18,960,000

Limited Obligation Highway Refunding Bonds, 2001 Series A (original issue of \$51,705,000), varying interest rates at 3.13% - 4.5% per annum, payable semiannually in May and November, principal fund payments due in varying annual installments commencing with a payment of \$3,830,000 in May 2002 and increasing to \$5,765,000 in May 2012. The 2001 bonds are serial bonds and were issued in fully registered form in denominations of \$5,000 or any integral multiple thereof, and are subject to redemption prior to their stated maturity, at the option of GovGuam, from any source of available funds, on any date on or after May 1, 2011.

39,770,000

Limited Obligation Infrastructure Improvement Bonds, 1997 Series A (original issue of \$76,275,000), varying interest rates at 4.75% - 5.5% per annum, payable annually in November, principal fund payments due in varying annual installments commencing with a payment of \$900,000 in November 1999 and increasing to \$4,625,000 in November 2017. The 1997 bonds are serial bonds and were issued in fully registered form in denominations of \$5,000 or multiples thereof.

60,110,000

Promissory note payable to the Farmers Home Administration in the amount of \$11,000,000, interest at 7.75% per annum, principal and interest payable commencing December 1990 in quarterly installments of \$225,390. The note is collateralized by real property.

4,863,863

Note payable to a local bank in the amount of \$10,000,000, interest rate is based on the banks' index rate and varies from 4.75% - 8% per annum, principal and interest payable commencing October 2003 in annual installments of \$1,281,818. This loan was used to fund public assistance programs and for the payment of the GovGuam Department of Education's monthly allotment backlog. The note is collateralized by the pledge and assignments of Section 30 revenues.

9,207,497

Less current maturities

330,271,163  
(39,429,243)

\$ 290,841,920

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (3) Long-Term Obligations, Continued

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 39,429,243	\$ 16,661,276	\$ 56,090,519
2006	25,733,656	14,556,798	40,290,454
2007	24,842,275	13,202,790	38,045,065
2008	26,081,607	11,957,940	38,039,547
2009	27,401,317	10,608,359	38,009,676
2010 – 2014	111,253,262	32,317,460	143,570,722
2015 – 2019	<u>72,005,000</u>	<u>9,911,745</u>	<u>81,916,745</u>
	<u>\$ 326,746,360</u>	<u>\$ 109,216,368</u>	<u>\$ 435,962,728</u>

As of September 30, 2004, \$36,505,122 has been accumulated in the Debt Service Funds to service the General Obligation and Special Revenue Bonds. Additionally, the debt service funds contain \$2,070,182 of resources that management has designated to be used for debt service. However, a legal opinion has been solicited, but not received, that will determine whether this amount should be returned to the General Fund. There are a number of limitations and restrictions placed on the bonds as specified below:

### General Obligation Bonds:

General Obligation Bonds 1993 Series A - This bond series was issued on September 15, 1993 for the purpose of implementing certain capital projects comprised of new or renovated educational facilities. In accordance with the bond indenture, the Depository created a Construction Fund, the amounts therein to be used solely for (1) the purpose of implementing capital projects pursuant to the Act, (2) the payment of costs of issuance, and (3) the payment of principal and interest on the bonds. On or before the fifth day of each calendar month, GovGuam deposits into a Bond Fund held by the Trustee, an amount equal to the amount necessary to increase the amount in the Bond Fund to the aggregate amount for all outstanding bonds of all unpaid interest, principal and Mandatory Sinking Account payments which is required to be transferred to the Bond Fund.

General Obligation Bonds 1994 Series A - This bond was issued on August 15, 1994 for the purpose of discharging GovGuam's obligation to pay refunds owed to taxpayers who have filed their income tax forms with GovGuam. Final payment for principal and interest occurred on August 15, 1999. Therefore, no further obligations with regard to the bond covenants exist for this debt service fund as of September 30, 2004. However, an interfund receivable balance with the general fund and a corresponding credit to reserve for related assets is recorded in this fund until a final decision is made on the disposition of the fund balance.

## GOVERNMENT OF GUAM

### Notes to Financial Statements September 30, 2004

#### (3) Long-Term Obligations, Continued

##### General Obligation Bonds, Continued:

General Obligation Bond 1995 Series A - This bond was issued on June 1, 1995 for the purpose of discharging obligations for income tax refunds, supplemental retirement benefits, transfer payments to government agencies and to vendors to the extent obligations were incurred or previously obligated by GovGuam prior to May 15, 1995 and to pay the costs of issuance of such borrowing. The Depository has created a Bond Fund to be used solely (1) to pay General Fund expenses pursuant to the indenture, (2) to pay costs of issuance, and (3) to be held as a reserve for the payment of principal of and interest on the Bonds. The amount in the Bond Fund as of September 30, 2004 is \$4,067,054.

Public Law 22-19 has authorized the creation of the Territorial Education Facilities Fund that requires that all real property tax revenues received shall be deposited into this fund. While such deposits are not pledged, these shall be used to pay the principal and interest on bonds issued for Capital Improvement Projects provided for under the General Obligation Bonds 1993 Series A indenture.

Public Law 23-14 was created to authorize the Governor to issue general bonds for the purposes of constructing and refurbishing territorial educational facilities, paying certain General Fund expenses, and creating a funding source for repayment of such bonds.

Management of GovGuam believes that it is in compliance with all significant limitations and restrictions of the bond indentures as of September 30, 2004.

##### Indentures to the 1997 Series A Bonds:

The 1997 Series A bonds are limited obligations of GovGuam payable entirely from a first lien and pledge of revenues. Revenues are defined in the bond indenture as all amounts received from the imposition of hotel occupancy taxes. GovGuam has pledged to maintain these revenues at a level sufficient to equal the sum of 1.25 times the aggregate debt service becoming due within the next fiscal year; plus amounts required to be deposited pursuant to the tax certificate for the bonds and amounts required to meet the bond reserve fund requirement.

In accordance with the bond indenture, the depository has created a trust account known as the "Construction Fund." Amounts deposited therein are used to (1) implement capital improvement projects prescribed in Public Law 29-137, adopted on January 2, 1997, (2) pay the cost of bond issuance and letter of credit fees and (3) pay the principal and interest on the bonds should other sources be insufficient.

All pledged revenues are to be deposited into a special account entitled the "Revenue Fund." In addition, all interest and other profit derived from investments, except those in the "Construction Fund," are to be transferred monthly to the "Revenue Fund." Transactions of the "Revenue Fund" account are accounted for in the Debt Service Fund. On the twentieth day of each month following the month the revenues are deposited, the depository is to deposit into the following funds (all accounted for within the Debt Service Fund) the specified amounts in the following order of priority:



# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (3) Long-Term Obligations, Continued

#### Indentures to the 1997 Series A Bonds, Continued:

- . Bond Fund - an amount equal to the sum of (1) the aggregate amount of interest to accrue on the bonds during the next succeeding calendar month upon all bonds then outstanding, plus (2) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal date, would aggregate to the amount of principal then becoming due and payable on the outstanding serial bonds on such principal payment date, plus (3) an amount which, if paid in equal monthly installments in each month over the semiannual or annual period prior to the next principal date, would aggregate to the amount of the mandatory sinking fund payments required to be paid for the outstanding term bonds on such principal payment date.
- . Rebate Fund - an amount, if any, needed to be deposited therein pursuant to the rebate certificate with respect to the 1997 Series A Bonds.
- . Bond Reserve Fund - an amount, if any, needed to equal to the lesser of (1) the maximum annual debt service, (2) 10% of the proceeds received from the sale of the bonds and (3) 125% of average annual debt service on the bonds or an amount as may be specified by supplemental indentures providing for the issuance of a series of bonds. The maximum annual debt service is defined as the sum of (1) the interest falling due on the then outstanding bonds, (2) the principal amount of the outstanding serial bonds falling, due by their terms, and (3) the aggregate amount of all mandatory sinking payments required; all as computed for the bond year in which such sum shall be the largest. Amounts in the Bond Reserve Fund are to be used for the purpose of making up any deficiency in the Bond Fund.
- . Bond Expense Fund - an amount equal to the amount of bond expenses estimated by the trustee to be due and payable during the next succeeding calendar month.

The General Obligation Bonds constitute the valid and legally binding general obligation of GovGuam, and GovGuam pledges its full faith and credit for the punctual payment of principal and interest on the bonds. Additionally, certain revenues are specifically pledged to secure the payment of said principal and interest. As defined by the terms of the bond indenture, these revenues include the following: (1) all amounts received by GovGuam as proceeds of Federal income taxes derived from Guam ("Section 30" monies); (2) customs duties collected by GovGuam derived from Guam; (3) the proceeds of all taxes collected under the internal revenue laws of the United States on articles produced in Guam and transported to the United States, its Territories or possessions, or consumed in Guam; and (4) the proceeds of any other taxes which may be levied by Congress on the inhabitants of Guam. "Revenue" further includes all interest, profits or other income derived from investments in any fund or account created pursuant to the bond indenture.

#### Indentures to the 2001 Series A Bonds (Special Revenue Bonds):

The 2001 Series A bonds are limited obligations of GovGuam payable entirely from a first lien and pledge of revenues. Revenues are defined in the bond indenture as all amounts received from the imposition of vehicle registration fees, license fees and certain penalties, and from taxes on the sale of gasoline, aviation and diesel fuels. GovGuam has pledged to maintain these revenues at a level sufficient to equal annual budgeted highway maintenance and operating expenses plus 1.2 times the aggregate debt service becoming due within the next fiscal year.

## GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

### (3) Long-Term Obligations, Continued

Indentures to the 2001 Series A Bonds (Special Revenue Bonds), Continued:

In accordance with the bond indenture, the depository has created a trust account to be known as the "Construction Fund". Amounts deposited therein are used to (1) implement highway capital improvement projects based on Public Law 21-110 signed by the Governor on June 1, 1992, (2) pay the costs of bond issuance, and (3) pay the principal and interest on the bonds should other sources be insufficient. The "Construction Fund" account is accounted for within the Highway Bond Projects Capital Projects Fund.

All pledged revenues are to be deposited into a special account entitled the "Revenue Fund". In addition, all interest and other profit derived from investments, except those in the "Construction Fund," are to be transferred monthly to the "Revenue Fund". Transactions of the "Revenue Fund" account are accounted for in the Debt Service Fund. On the fifth day of each month following the month the revenues are deposited, the depository/trustee is to deposit into the following funds the specified amounts in the following order of priority:

Bond Fund - an amount equal to the sum of (1) the aggregate amount of interest to accrue on the bonds during the next succeeding calendar month upon all then outstanding bonds, plus (2) an amount which, if paid in equal monthly installments in each month prior to the next May 1, would aggregate to the amount of principal then becoming due and payable on the outstanding serial bonds on such May 1, plus (3) an amount which, if paid in equal monthly installments in each month prior to the next May 1, would aggregate to the amount of the mandatory sinking fund payments required to be paid for outstanding term bonds on such May 1. Amounts in the Bond Fund are to be used to pay bond interest and the principal of the serial and term bonds. Funds in this account are accounted for within the Debt Service Fund.

Bond Reserve Fund - an amount, if any, needed to equal the maximum annual debt service. The maximum annual debt service is defined as the sum of (1) the interest falling due on the then outstanding bonds, (2) the principal amount of the outstanding serial bonds falling due by their terms, and (3) the aggregate amount of all mandatory sinking fund payments required; all as computed for the bond year in which such sum shall be the largest. Amounts in the Bond Reserve Fund are to be used for the purpose of making up any deficiency in the Bond Fund. Funds in this account are accounted for within the Debt Service Fund.

Maintenance and Operation Fund - the amount of maintenance and operation expenses budgeted by GovGuam to be paid during the next succeeding calendar month. Amounts in the Maintenance and Operation Fund are to be used for the purpose of paying GovGuam highway maintenance and operation costs. This account is a component of the Debt Service Fund.

Maintenance and Operation Reserve Fund - an amount to increase the balance therein equal to 1.5% of the original aggregate principal amount of bonds of each series having bonds outstanding. Amounts in the Maintenance and Operation Reserve Fund are to be used to pay GovGuam highway maintenance and operation expenses should amounts in the Maintenance and Operation Fund be insufficient. Accounting for this Fund is performed within the Debt Service Fund.

Surplus Fund - the balance remaining in the revenue fund after all of the foregoing deposits. Amounts in the Surplus Fund are to be used for the purpose of paying other costs and expenses budgeted by GovGuam. Transactions to and from the Surplus Fund are accounted for in the Debt Service Fund.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (3) Long-Term Obligations, Continued

#### Changes in Long-Term Liabilities

Other long-term liabilities will be liquidated in the future from governmental funds. During the year ended September 30, 2004, the following changes occurred in liabilities reported as part of the primary government's long-term liabilities in the statement of net assets:

	Balance October 1, 2003	<u>Additions</u>	<u>Reductions</u>	Balance September 30, 2004	Due Within <u>One Year</u>
Bonds payable:					
Limited obligation bonds	\$ 70,675,000	\$ -	\$ (6,435,000)	\$ 64,240,000	\$ 6,710,000
General obligation bonds	170,155,000	-	(21,600,000)	148,555,000	22,785,000
Special revenue bonds	108,085,000	-	(8,205,000)	99,880,000	8,550,000
Loans payable	<u>15,353,287</u>	<u>-</u>	<u>(1,281,927)</u>	<u>14,071,360</u>	<u>1,384,243</u>
	364,268,287	-	(37,521,927)	326,746,360	39,429,243
Unamortized premium on bonds issued	<u>4,028,347</u>	<u>-</u>	<u>(503,544)</u>	<u>3,524,803</u>	<u>-</u>
	<u>368,296,634</u>	<u>-</u>	<u>(38,025,471)</u>	<u>330,271,163</u>	<u>39,429,243</u>
Other liabilities:					
Compensated absences	21,997,440	5,619,166	(10,387,719)	17,228,887	5,455,206
Tax refunds	264,272,736	-	(23,887,350)	240,385,386	236,179,340
Unfunded pension	52,326,253	88,234,069	(61,761,648)	78,798,674	-
Due to component units	29,940,243	17,220,013	(18,955,743)	28,204,513	7,302,066
Landfill closure	<u>16,641,000</u>	<u>-</u>	<u>-</u>	<u>16,641,000</u>	<u>-</u>
	<u>385,177,672</u>	<u>111,073,248</u>	<u>(114,992,460)</u>	<u>381,258,460</u>	<u>248,936,612</u>
	<u>\$ 753,474,306</u>	<u>\$ 111,073,248</u>	<u>\$ (153,017,931)</u>	<u>\$ 711,529,623</u>	<u>\$ 288,365,855</u>

### (4) Commitments and Contingencies

#### A. Federal Grants

GovGuam has received federal grants for specific purposes that are subject to review and audit by the grantor agencies. Questioned costs for the 2004 and prior year audits aggregate to a material amount. If the questioned costs were ultimately disallowed, the general fund would be liable for the return of such funds. However, no liability, which may arise from the ultimate outcome of this matter, has been provided for in the accompanying basic financial statements.

Audits of federal program funds are also performed by various federal agencies. If the audit results in cost disallowances, the general fund may be liable. However, management does not believe that resolution of this matter will result in a material liability. Therefore, no liability for any amount, which may ultimately arise from these matters, has been recorded in the accompanying basic financial statements.

Fines and penalties may also be imposed by various federal agencies for violations of certain regulations. However, no provision for any amount has been recorded in the accompanying basic financial statements, as it is not possible to predict a reasonable estimation of these fines and penalties.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (4) Commitments and Contingencies, Continued

### B. Earned Income Tax Credit (EITC) Refunds

In June 2004, GovGuam agreed to pay \$60 million over nine years in settlement of unpaid EITC refunds from 1996. The settlement plan allowed for non-interest bearing tax credit refunds amounting to \$20 million over the next year, of which \$3 million shall be paid into the EITC Fund within thirty days from the approval of the settlement agreement, and approximately \$1.5 million per month for eleven months following the first installment. The remaining balance is to be paid at approximately \$5 million over the next eight years, beginning June 30, 2006. As of September 30, 2004, a tax liability of \$60 million has been recorded for this settlement agreement. Subsequent to September 30, 2004, GovGuam reached a new settlement agreement replacing the June 2004 agreement whereby GovGuam agreed to pay up to \$90 million. According to the agreement, GovGuam will be required to set aside \$15 million each into the following six categories:

Tax years 1995, 1996, 1999, 2000

Tax year 1998

Tax year 2001

Tax year 2002

Tax year 2003

Tax year 2004

Ratification of the revised settlement agreement, including payment terms, is pending approval by the District Court. GovGuam is presently unable to ascertain the total potential EITC refunds under this revised settlement agreement. Accordingly, no provision for any tax liability in excess of the \$60 million already recorded that may result has been made in the accompanying basic financial statements.

### C. Sick Leave

It is the policy of GovGuam to record the cost of sick leave when leave is actually taken and a liability is actually incurred. Generally, sick leave is paid only when an employee is absent due to illness, injury or related-family death. For this reason, no sick leave liability is recorded at September 30, 2004. The estimated accumulated amount of unused sick leave at September 30, 2004, is \$63,056,446, of which \$8,119,121 may be convertible by the GovGuam Retirement Fund Defined Contribution Retirement System (DCRS) employees upon retirement. Sick leave balances are only available for the line departments of the executive branch.

### D. Litigation

GovGuam is unable to assess the likelihood of potential liabilities related to claims outstanding as of the year ended September 30, 2004. The Attorney General is of the opinion that GovGuam's maximum liability in total for these cases is material to the financial statements as of September 30, 2004. However, it is not possible to predict a reasonable estimation of these claims to be paid through the claims process, as set forth in footnote 4E below, and therefore, no provision for any liability that may result has been made in the accompanying basic financial statements.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (4) Commitments and Contingencies, Continued

### E. Self-Insurance

GovGuam does not purchase insurance covering potential risks; it is substantially self-insured against claims for negligence and catastrophic losses. In the event that losses arise from such claims or disasters, the General Fund would be required to pay the majority of these losses. An annual appropriation is made to the Government Claims Fund and then valid claims are paid out against the appropriated amount. GovGuam has not experienced material prior year losses as a result of this policy. Virtually all discretely presented component units have some form of commercial insurance to insure against risk of loss such as property, liability and typhoon.

### F. Deposits with Treasurer

Insurance companies doing business on Guam, are required under sections 43102 and 43202 of the Government Code of Guam, to deposit with the Commissioner of Insurance an amount equal to the minimum amount of paid-in-capital required under Article III of Title 39 of the Government Code. The deposit requirement is met with any good and sufficient bond as set by the Commissioner. Bonds currently take various forms and range from a surety bond to bank certificates of deposit. Deposits are likewise required of foreign banks and foreign exchanges. At September 30, 2004, approximately \$13,473,213 was held by GovGuam in bonds as security against possible claims.

### G. Medicare

GovGuam did not withhold or remit funds to the U.S. Social Security System for the health insurance component. GovGuam has since reevaluated this position and has commenced withholding such amount from its employees beginning in October 1998. If GovGuam is found to be liable for prior year nonpayment an indeterminate liability could result. Therefore, no liability for any amount, which may ultimately arise from this matter, has been recorded in the accompanying financial statements.

### H. Commitments

GovGuam and its discretely presented component units have commitments under contracts at September 30, 2004.

### I. Tax Drawback

On September 20, 2004, GovGuam settled a liquid fuel tax refund dispute with a fuel supplier in the amount of \$6,583,382, which resulted in a gain of \$5,893,926 plus \$1.7 million in previously unrecorded interest that was waived. Under the terms of the agreement, the refund will be paid over a period of three years and will involve the offset against future liquid fuel tax payments.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (4) Commitments and Contingencies, Continued

### J. Ordot Dump

On February 11, 2004, the U.S. Environmental Protection Agency and the U.S. Department of Justice filed a Consent Decree in the United States District Court of Guam. The consent decree includes deadlines for the opening of a new landfill and implementing an Ordot Dump closure plan. Within a period of forty-five months, GovGuam is required to complete an environmental impact statement analyzing at least three potential new landfill locations; complete design, permitting, and construction for the selected landfill location; begin operations at the new landfill; and properly and permanently close the Ordot Dump. In the event that GovGuam fails to meet any of the stipulated deadlines under the consent decree, GovGuam will be liable for civil penalties. Although closure and post closure care costs will be paid only near or after the date that Ordot Dump stops accepting waste, GovGuam's governmental activities reports a portion of these closure and post closure care costs as an expense in each period based on landfill capacity used as of each balance sheet date. The \$16,641,000 reported as landfill closure and post closure care liability at September 30, 2004 within the accompanying basic financial statements, represents the cumulative amount reported based on 100 percent capacity. This amount is based on what it would cost to perform all closure and post closure care in 2004. GovGuam expects to close the landfill within the required timeframe. Actual cost may be higher due to inflation, changes in technology or changes in regulations.

## (5) Unfunded Retirement Fund Contributions

As of the fiscal year ended September 30, 1994, the GovGuam Retirement Plan was a defined benefit, single-employer contributory pension plan created and administered by GovGuam. Membership in the Plan was mandatory for all full-time employees, except for those compensated on a fee basis, independent contractors, and persons aged 60 or over upon employment. The Plan is administered by the GovGuam Retirement Fund to which all funds and agencies, including component units, as well as employees who are members of the Plan, contribute a fixed percentage of the payroll. Most employees may retire with full benefits at age 60 with at least 10 years of service, or after 25 years of service, regardless of age. Vesting of benefits is optional for employees with 3 to 19 years of service, but is mandatory for employees with 20 or more years of service.

On September 30, 1995, the DCRS Plan was created. All employees hired after September 30, 1995 will be participants in the DCRS plan. The GovGuam Retirement Fund Defined Benefit (DB) Plan will become a closed group.

As a result of the most recent actuarial valuation performed as of September 30, 2002, it has been determined that for the year ended September 30, 2004, a minimum combined employer and employee contribution rate of 30.31% (9.5% for employees and 20.81% for employer) of covered Defined Benefit Plan payroll is required to appropriately fund the current cost, amortize prior service costs and provide for interest on the unfunded accrued liability.

The latest actuary's report indicates that the Plan has 6,807 active members, 4,640 service retirees, 509 disability retirees, 684 spouse pensioners and 261 child pensioners.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (5) Unfunded Retirement Fund Contributions, Continued

The Plan utilizes the actuarial cost method termed "entry age normal" with an assumed rate of return of 7.5% and an assumed salary scale increase of 5.5% per annum. The actuarial valuation performed as of September 30, 2002, did not provide a breakdown of actuarial present value of vested and non-vested accumulated plan benefits by sponsor or net assets available for benefits by sponsor. If the actuarial valuation was performed for the primary government, as a separate sponsor, the accrued unfunded liability at September 30, 2004, may be materially different than that recorded in the accompanying financial statements.

Contributions into the DCRS plan by members are based on an automatic deduction of 5% of the member's regular base pay. The contribution is periodically deposited into an individual annuity account within the DCRS. Employees are afforded the opportunity to select from different annuity accounts available under the DCRS.

Statutory employer contributions into the DCRS plan for the year ended September 30, 2004, are determined using the same rate as the DB plan. Of the amount contributed by the employer, only 5% of the member's regular pay is deposited into the member's individual annuity account. The remaining amount is contributed towards the unfunded liability of the defined benefit plan.

Members of the DCRS plan, who have completed five years of government service, have a vested balance of 100% of both member and employer contributions plus any earnings thereon.

GovGuam has adopted the provisions of GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employees*. As the result of Public Law 21-03, the University of Guam's and the Guam Community College's unfunded pension liability is included within the governmental activities in the accompanying statement of net assets, which amounts to \$3,724,396 and \$2,438,361, respectively, as of September 30, 2004. Furthermore, as a result of Public Law 26-70, the Guam Telephone Authority's unfunded pension liability is included within the governmental activities in the accompanying statement of net assets, which amounts to \$2,153,066 as of September 30, 2004.

### (6) Subsequent Event

On February 4, 2004, the Legislature adopted Public Law 27-63 to amend certain sections of Public Law 26-70. The amendments were made to account for current economic and market concerns and permits the Guam Telephone Authority (GTA) to proceed with the privatization process. Bid openings for the privatization of GTA were held on June 7, 2004. On August 31, 2004, GTA's Board of Directors approved the sale of the assets and business of GTA to TeleGuam Holdings, LLC. On November 1, 2004, the Governor signed Public Laws 27-109 and 27-110. Public Law 27-109 was enacted to approve the agreements and transactions to privatize GTA and to amend and reenact certain sections of Public Laws 26-70 and 27-63 to effectuate the privatization of GTA. Public Law 27-110 was enacted to promote competition and reduce regulation in order to secure lower prices and higher quality telecommunications services. The closing date was December 31, 2004 at which time TeleGuam Holdings, LLC completed its acquisition of GTA.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (7) Discretely Presented Component Unit Disclosures

#### A. Restricted Cash and Cash Equivalents and Time Certificates of Deposit

##### Guam Power Authority (GPA):

The bond indenture agreements for GPA's 1993 and 1999 series revenue bonds require the establishment of special funds and accounts to be held and administered by GPA's trustees for the accounting of the monies. At September 30, 2004, restricted cash and cash equivalents held by the trustees, in trust for GPA, in these funds and accounts are as follows:

Construction Funds	\$ 26,692,296
Interest and Principal Funds	17,605,643
Revenue Fund	943,760
Surplus Fund	<u>75,512</u>
	<u>\$ 45,317,211</u>

##### Guam Waterworks Authority (GWA):

Public Law 19-47 authorized GWA to establish a water and sewer development charge schedule, which assesses a charge on each user who connects for the first time from any property onto the island's water or wastewater system, or to each builder if the density of development connected to the system is increased. These funds shall be expended only for expanding, upgrading or repairing water and wastewater systems on Guam. At September 30, 2004, restricted cash and cash equivalents held for this purpose amounted to \$165,129.

##### University of Guam (UOG):

Pursuant to Public Law 25-187, UOG is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development and Commerce Authority. Public Law 25-187 requires the establishment of a separate account to be administered by UOG to be expended exclusively for enhancement of learning resources and technology. At September 30, 2004, restricted cash and cash equivalents held for this purpose amounted to \$3,238,384.

##### Guam Community College (GCC):

Pursuant to Public Law 25-187, GCC is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development and Commerce Authority. Public Law 25-187 requires the establishment of a separate account to be administered by GCC to be expended exclusively for enhancement of learning resources and technology. At September 30, 2004, restricted cash and cash equivalents held for this purpose amounted to \$1,338,524.

##### Guam Housing and Urban Renewal Authority (GHURA):

Cash and cash equivalents and time certificate of deposit balances are classified as restricted due to the specific nature and purpose of their existence. At September 30, 2004, cash and cash equivalents and time certificates of deposits held by GHURA in these funds and accounts are as follows:



# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### A. Restricted Cash and Cash Equivalents and Time Certificates of Deposit, Continued

Guam Housing and Urban Renewal Authority (GHURA), Continued:

Community Development Block Grant Fund	\$ 907,963
Low Income Housing Fund	224,273
Housing Assistance Payments Fund	542,277
Guam Elderly Housing Project Fund	460,355
Other	<u>25,000</u>
	\$ <u>2,159,868</u>

Guam Housing Corporation (GHC):

The bond indenture agreement for GHC's mortgage revenue bonds requires the establishment of special funds and accounts to be held and administered by GHC's trustees for the accounting of monies. At September 30, 2004, restricted cash and cash equivalents held in trust under the bond indenture amounted to \$4,537,242.

Guam Economic Development and Commerce Authority (GEDCA):

The bond indenture agreement for GEDCA's tobacco revenue bonds requires the establishment of special funds and accounts to be held and administered by GEDCA's trustees for the accounting of monies. At September 30, 2004, restricted cash and cash equivalents held in trust under the bond indenture amounted to \$1,495,923.

### B. Investments

Guam International Airport Authority (GIAA):

The bond indentures for GIAA require the establishment of special funds and accounts to be held and administered by GIAA's trustees for the accounting of the monies. At September 30, 2004, investments held by the trustees, in trust for GIAA, in these funds and accounts are as follows:

Unrestricted:

Cash with trustee	\$ 400,000
Federal Grant Revenue Fund	11,848,161
Capital Improvement Fund	642,486
Operations and Maintenance Reserve Fund	7,243,371
Self-insurance Fund	6,645,607
General Revenue Fund	1,946,055
Operations and Maintenance Fund	<u>1,819,251</u>
	<u>30,544,931</u>

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### B. Investments, Continued

Guam International Airport Authority (GIAA), Continued:

Restricted:	
Cash with trustee	4,718
Bond Reserve Funds	18,879,750
Bond Funds	12,103,228
Renewal and Replacement Fund	2,004,306
Cost of Issuance Fund	<u>298,298</u>
	<u>33,290,300</u>
	<u>\$ 63,835,231</u>

GIAA's investments are stated at amortized cost including accrued interest. The carrying value of investments is as follows:

Cash with trustee	\$ 404,718
Money market/trust funds	29,368,574
Investment agreements	18,045,950
Short-term investments (commercial paper and corporate bonds)	1,425,372
U.S. Treasury notes	<u>14,590,617</u>
	<u>\$ 63,835,231</u>

The federal grant revenue fund amounting to \$11,848,161 has been classified as a Category 2 investment. All other investments held by the trustees have been classified as Category 1 investments.

Guam Power Authority (GPA):

The bond indentures for GPA require the establishment of special funds and accounts to be held and administered by GPA's trustees for the accounting of the monies. At September 30, 2004, investments held by the trustees, in trust for GPA, in these funds and accounts are as follows:

Restricted:	
Bond Reserve Funds	<u>\$ 27,393,130</u>

GPA's investments are stated at amortized cost including accrued interest. The carrying value of investments is as follows:

Federal National Mortgage Association discount notes	<u>\$ 27,393,130</u>
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The bond reserve funds have been classified as Category 3 investments.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### B. Investments, Continued

University of Guam (UOG):

Investments held by UOG consist of money market funds, U.S. Treasury and agency obligations, and common stock. The carrying value of investments is as follows:

Unrestricted:	
Money market funds	\$ 211,943
Common stocks	<u>4,891,451</u>
	<u>5,103,394</u>
Restricted for endowments:	
Money market funds	281,428
Common stocks	<u>6,495,109</u>
	<u>6,776,537</u>
	<u>\$ 11,879,931</u>

Investments held by the University of Guam Endowment Foundation, Inc., a legally separate tax-exempt foundation of UOG, consist of money market funds, U.S. Treasury and agency obligations, and common stock.

The carrying value of investments held by the foundation is as follows:

Unrestricted:	
Common stocks	\$ <u>106,800</u>
Restricted for endowments:	
Money market funds	522,236
U.S. Government notes and bonds	1,387,061
Common stocks	<u>4,166,108</u>
	<u>6,075,405</u>
	<u>\$ 6,182,205</u>

Investments held by UOG have been classified as Category 2 investments.

Guam Telephone Authority (GTA):

Investments held by GTA consist of Rural Telephone Bank (RTB) stock that has been issued in accordance with the loan agreement between GTA and RTB. GTA's investment in RTB is carried at cost and consists of 933,800 shares of \$1 par value Class B stock.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### B. Investments, Continued

#### Guam Community College (GCC):

Pursuant to Public Law 25-187, GCC is the recipient of tobacco settlement bond proceeds issued by the Guam Economic Development and Commerce Authority. Public Law 25-187 requires the establishment of a separate account to be administered by GCC to be expended exclusively for enhancement of learning resources and technology. At September 30, 2004, investments in corporate bonds and notes held for this purpose amounted to \$1,740,000.

Investments held by the Guam Community College Endowment Foundation, Inc., a legally separate tax-exempt foundation of GCC, consist of money market funds, U.S. Treasury and agency obligations, and common stock. The carrying value of investments is as follows:

Restricted for endowments:	
Money market funds	\$ 439,950
U.S. Government notes and bonds	1,377,881
Common stocks	<u>4,764,087</u>
	<u>\$ 6,581,918</u>

Investments held by GCC have been classified as Category 3 investments.

#### Guam Housing Corporation (GHC):

The bond indenture for GHC requires the establishment of special funds and accounts to be held and administered by GHC's trustees for the accounting of the monies. At September 30, 2004, investments held by the trustees, in trust for GHC, in these funds and accounts are as follows:

Foreclosure Protection Fund	\$ 375,921
Program Fund	5,689,134
Escrow Fund	15,658
Capitalized Interest Fund	225
Revenue Fund	<u>108</u>
	<u>\$ 6,081,046</u>

GHC's investments are stated at amortized cost including accrued interest. The carrying value of investments is as follows:

Money market/trust funds	\$ <u>6,081,046</u>
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The bond funds have been classified as Category 3 investments and the foreclosure protection fund has been classified as Category 1 investments.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### B. Investments, Continued

Guam Economic Development and Commerce Authority (GEDCA):

The bond indenture for GEDCA requires the establishment of special debt service funds and accounts to be held and administered by GEDCA's trustees for the accounting of the monies. At September 30, 2004, restricted investments held for this purpose amounted to \$2,200,201. The carrying value of investments is as follows:

Unrestricted:	
Common stocks	\$ 3,500
Restricted:	
Money market funds	<u>2,200,201</u>
	<u>\$ 2,203,701</u>

Investments held by GEDCA have been classified as Category I investments.

### C. Receivables

Receivables as of September 30, 2004, for the individual major discretely presented component units, and nonmajor component units in the aggregate, including allowances for uncollectible accounts, are as follows:

	Guam International Airport Authority	Guam Memorial Hospital Authority	Guam Power Authority	Guam Waterworks Authority	University Of Guam	Guam Telephone Authority	Nonmajor Component Units	Totals
Receivables:								
General	\$ 7,442,046	\$ 26,443,058	\$ 55,914,590	\$ 25,523,540	\$ 4,668,244	\$ 7,306,832	\$ 6,693,170	\$ 133,991,480
Loans	-	-	-	-	-	-	28,438,075	28,438,075
Federal grants	5,209,250	-	3,836,447	723,279	599,222	-	2,333,877	12,702,075
Other	<u>707,942</u>	<u>520,071</u>	<u>10,653,230</u>	<u>286,547</u>	<u>1,844,417</u>	<u>2,814,115</u>	<u>21,754,426</u>	<u>38,580,748</u>
	13,359,238	26,963,129	70,404,267	26,533,366	7,111,883	10,120,947	59,219,548	213,712,378
Less: allowance for uncollectibles	<u>(275,248)</u>	<u>-</u>	<u>(14,687,951)</u>	<u>(18,128,905)</u>	<u>(2,464,160)</u>	<u>(6,980,224)</u>	<u>(6,047,939)</u>	<u>(48,584,427)</u>
Net receivables	<u>\$ 13,083,990</u>	<u>\$ 26,963,129</u>	<u>\$ 55,716,316</u>	<u>\$ 8,404,461</u>	<u>\$ 4,647,723</u>	<u>\$ 3,140,723</u>	<u>\$ 53,171,609</u>	<u>\$ 165,127,951</u>

Loans receivable of the nonmajor component units are comprised of loans issued by the Guam Housing Corporation, which are collateralized by first mortgages on real estate, and are due in varying monthly installments and interest rates, with maturities extending to 2024. Significant portions of GHC's loans outstanding are assigned as collateral on notes payable.

Other receivables includes restricted receivable balances recorded by GHC in the amount of \$2,498,743 as of September 30, 2004, that relate to loans issued under the Community Affordable Housing Action Trust, Hazard Mitigation Program, Down-payment and Closing Assistance Program, and the Sagan Linayan Project. These programs are interest-free loans solely to assist first-time homeowners for purposes of retrofitting for typhoon proof homes.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

(7) Discretely Presented Component Unit Disclosures, Continued

D. Restatement of Discretely Presented Component Unit Net Assets

Net assets, as previously reported September 30, 2003	\$ <u>824,017,633</u>
Implementation of GASB Statement No. 39 for the inclusion of the following as component units:	
University of Guam Endowment Foundation, Inc.	5,086,534
Guam Community College Endowment Foundation, Inc.	6,584,882
Prior period adjustment - Guam Housing and Urban Renewal Authority	(1,544,829)
Prior period adjustment - Guam Visitors Bureau	8,877,796
Change in Reporting Entity:	
Guam Housing Corporation	<u>7,412,893</u>
	<u>26,417,276</u>
Net assets, as restated September 30, 2003	\$ <u>850,434,909</u>

E. Long-Term Obligations

As of September 30, 2004, the discretely presented component units had the following long-term debt outstanding:

Guam International Airport Authority (GIAA):

General Revenue Bonds, Series 2003 (original issue of \$216,250,000), varying interest rates at 1.45% - 5.375% per annum, payable semiannually in October and April, principal fund payments due in varying annual installments of \$5,600,000 due in October 2004, and increasing to \$12,295,000 in October 2023.	\$ 216,250,000
Add net unamortized premium on bonds	9,048,500
Less deferred difference on refunding of 1993 bonds	<u>(7,287,012)</u>
	<u>218,011,488</u>

Guam Power Authority (GPA):

General Revenue Bonds, Series 1993 (original issue of \$100,000,000), varying interest rates at 3.90% to 5.25% per annum, payable semiannually in October and April, principal and mandatory sinking fund payments due in varying annual installments commencing with a payment of \$1,725,000 in October 1996, and increasing to \$6,535,000 in October 2023. The bonds have been issued to finance acquisitions of additional generating capacity, to construct additional transmission facilities, and to upgrade and refurbish existing equipment.	83,900,000
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# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### F. Long-Term Obligations, Continued

#### Guam Power Authority (GPA), Continued:

General Revenue Bonds, Series 1999 (original issue of \$349,178,601), varying interest rates at 3.90% to 5.25% per annum, payable semiannually in October and April, principal and mandatory sinking fund payments due in varying annual installments commencing with a payment of \$2,950,000 in October 2000, and increasing to \$26,110,000 in October 2034. The bonds have been issued to finance new projects as specified in the bond indenture and to retire certain outstanding bonds and the commercial paper issued for the purpose of financing certain commercial paper projects.

336,623,601

Tax-exempt commercial paper note issued in August 1998 with interest at 1.2% per annum, payable at maturity. The note is collateralized by a pledge of revenues subordinate to the bondholders under GPA's bond issues. The note had an original maturity date of October 7, 1998, but has been rolled over with a new maturity date of August 11, 2004.

20,000,000

440,523,601

Less discount on bonds  
Less deferred loss on defeasance

(6,136,925)  
(17,738,560)

416,648,116

#### Guam Waterworks Authority:

Note payable to the U.S. Navy, with interest at 1.25% per annum, payable in monthly installments of \$45,833, including interest, through March 2009, \$132,545 through March 2011, and \$264,853 through June 2012.

8,626,591

#### University of Guam (UOG):

University of Guam Dormitory and Student Union Revenue Bonds of 1968, with interest at 6% per annum, payable semiannually in October and April, principal fund payments due in varying annual installments of \$30,000 to \$90,000 through October 2008.

345,000

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### F. Long-Term Obligations, Continued

#### Guam Telephone Authority (GTA):

Loan agreement with the Rural Utilities Service (RUS), with interest at 5% per annum, principal and interest payable semiannually on various dates and in various amounts totaling \$3,388,000, due and payable on various dates ranging from May 2011 through May 2025. 69,411,867

Loan agreement with the Federal Financing Bank (FFB), varying interest rates at 5.621% - 7.887% per annum, principal and interest payable quarterly on various dates and in various amounts totaling \$561,800, due and payable on December 2014. 16,457,063

Loan agreement with the Rural Telephone Bank (RTB), varying interest rates at 5.33% - 9.57% per annum, principal and interest payable semiannually on various dates and in various amounts totaling \$750,541, due and payable on various dates ranging from October 2020 through July 2025. 15,679,425

101,548,355

#### Guam Community College (GCC):

Due to U.S. Department of Education, with interest at 5.5% per annum, payable in semi-annual installments of \$102,660, including interest, through September 2032, collateralized by revenues and non-appropriated funds of GCC. 3,000,000

#### Guam Housing and Urban Renewal Authority:

Due to Farmers' Home Administration, with interest at 6% per annum, payable in equal monthly installments of \$10,540, including interest, through April 2030, collateralized by restricted cash balances. 1,614,398

#### Guam Housing Corporation (GHC):

Mortgage-Backed Revenue Bonds, Series 1998, (original issue of \$50,000,000), varying interest rates at 4.45% to 5.75% per annum, payable semiannually in March and September, principal payments due in varying semiannual installments of \$45,000 due in March 2004, and increasing to \$75,000 in September 2013; \$74,931 due in March 2014, and increasing to \$95,420 in September 2018; \$108,434 due in March 2019, and increasing to \$119,511 in September 2021; and \$114,064 due in March 2022, and increasing to \$194,200 in September 2031. 5,605,000



# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

(7) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Obligations, Continued

Guam Housing Corporation (GHC), Continued:

Note payable to Federal Home Loan Bank of Seattle, interest rate at 6.49% per annum, interest payable monthly, principal due in 2014, collateralized by proceeds received from mortgage loans made by GHC. 9,205,303

14,810,303

Guam Economic Development and Commerce Authority:

Tobacco Settlement Asset-Backed Bonds, 2001 Series A (original issue of \$11,982,980), varying interest rates at 5% - 5.4% per annum, payable semiannually in May and November, principal fund payments due in varying annual installments commencing with a payment of \$580,000 in May 2002 and increasing to \$1,853,356 in May 2012. These bonds are payable solely from and secured by certain revenues. The bonds have been issued for deposit to trust and endowment funds. 11,495,000

Tobacco Settlement Asset-Backed Bonds, 2001 Series B (original issue of \$13,494,479), varying interest rates at 5.2% - 5.5% per annum, payable semiannually in May and November, principal fund payments due in varying annual installments commencing with a payment of \$175,000 in May 2012 and increasing to \$3,580,000 in May 2017. These bonds are payable solely from and secured by certain revenues. The bonds have been issued for deposit to trust and endowment funds. 14,990,000

Note payable to the Guam Development Fund Act, with interest at 4.5% per annum, payable in monthly installments of \$8,785, including interest, collateralized by real property with final payment due in 2019. 958,783

27,443,783  
Less discount on bonds (1,945,183)

25,498,600

790,102,851  
Less current maturities (39,478,861)

\$ 750,623,990

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

(7) Discretely Presented Component Unit Disclosures, Continued

F. Long-Term Obligations, Continued

Annual debt service requirements to maturity for principal and interest are as follows:

<u>Year ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 39,478,861	\$ 37,768,732	\$ 77,247,593
2006	20,031,819	37,789,768	57,821,587
2007	21,691,021	36,876,010	58,567,031
2008	24,001,453	36,107,227	60,108,680
2009	24,531,061	35,258,222	59,789,283
2010 - 2014	137,225,217	157,263,420	294,488,637
2015 - 2019	144,789,598	121,894,106	266,683,704
2020 - 2024	165,049,566	82,794,236	247,843,802
2025 - 2029	89,852,776	50,340,121	140,192,897
2030 - 2034	<u>139,719,376</u>	<u>26,541,426</u>	<u>166,260,802</u>
	<u>\$ 806,370,748</u>	<u>\$ 622,633,268</u>	<u>\$ 1,429,004,016</u>

The above debt service requirement to maturity schedule does not include certain outstanding obligations for the Guam Housing Corporation (GHC) and the Guam Housing and Urban Renewal Authority (GHURA) as their debt service requirements were not available. Principal amounts to maturity for GHC and GHURA that were not available amounted to \$6,336,866 and \$1,454,417, respectively.

Indentures to the GIAA 2003 Series A Bonds:

The General Revenue Bonds, Series 2003, including interest, are payable solely from and are secured by a pledge of revenues under the indenture. The bonds are collateralized by a lien upon and pledge of revenues to be received by GIAA, the trustees and the depository. Neither the payment of the principal of the bonds, nor any interest thereon, is a debt, liability or obligation of GovGuam.

The bond indentures include certain debt service and reserve requirements including the requirement that net revenues as defined in the bond indentures equal at least 125% of the annual debt service.

Indentures to the GPA 1993 and 1999 Series Bonds:

All gross revenues of GPA have been pledged to repay the 1993 and 1999 series bond principal and interest. Discounts associated with 1993 and 1999 bond series are being amortized using the effective interest method over the lives of the bonds.

On September 28, 2000, GPA entered into a Bond Reserve Fund Forward Delivery Agreement (the agreement) with the US Bank Trust National Association and Bank of America. In connection with the agreement, GPA received cash totaling \$13.5 million in October 2000 representing the present value amount of interest income on certain bond proceeds invested by GPA.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### F. Long-Term Obligations, Continued

#### Indentures to the GPA 1993 and 1999 Series Bonds, Continued:

Based on the terms of the agreement, gross proceeds totaled \$17,521,029 while GPA incurred termination fees and closing costs totaling \$3,530,000 and \$1,250,529, respectively. The \$13.5 million in net proceeds received included \$759,500 of interest income earned as of the closing date of the agreement. The gross proceeds, termination fees and closing costs will be deferred and amortized on a straight line basis over the average remaining life of the 1993 and 1999 bonds. The gross proceeds, net of amortization, are reflected as deferred revenue in the amount of \$15,768,476 in the accompanying statement of net assets. The termination fees and closing costs amortization are reflected as deferred charges in the accompanying statement of net assets.

#### Indentures to the UOG Bonds:

Principal and interest are payable from, and are categorized by, a first charge and lien on the net revenues derived by the University Dormitory Revenue Fund, as defined in the bond resolution. The bonds are not an obligation of GovGuam, but are solely that of the University Dormitory Revenue Fund. As a requirement of the bond resolution, the University Dormitory Revenue Fund is to transfer semi-annually on March 15, and September 15, to the University Dormitory Interest and Redemption Fund, a sum equal to sixty-two and one-half percent of the aggregate amount of principal and interest becoming due on the bonds during the next succeeding twelve months until such time as the funds in the Interest Redemption Fund are sufficient to pay the interest and one-half of the principal next coming due, and to provide a reserve in an amount equal to the average annual debt service which approximates \$92,770. The bond resolution also requires that when the annual debt service reserve has been satisfied, the Fund is to deposit into an account, to the extent available, up to \$14,000 per year to the credit of the repair and replacement reserve account.

#### Indentures to the GTA Bonds:

Outstanding RUS, RTB and FFB bonds are special obligations of GTA payable from and collateralized by the proceeds of the bonds, all revenues, and all funds created by the bond indenture. These bonds do not constitute a general indebtedness of GTA or GovGuam. Revenues are defined in the bond indenture as all revenues, income, rents and receipts derived from the ownership, leasing and operation of the telephone system, the proceeds of any insurance covering business interruption loss relating to the system, and interest or dividends received on any moneys or securities (other than the Development Fund) held pursuant to the indenture and paid to the Revenue Fund.

In accordance with the indenture, GTA created the following trust accounts to be held and administered by the Trustee for the bondholders:

Development Fund - the proceeds of all bonds are to be deposited in the Development Fund. All costs of construction (including acquisitions) of all facilities are to be paid from this fund. Insurance proceeds from physical loss of or damage to any facilities of the system, and proceeds from contractors' performance bonds are to be deposited into this fund. Proceeds from sale or lease-sale of any facilities included in the system shall be maintained in this fund and used to finance future construction.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### F. Long-Term Obligations, Continued

Indentures to the GTA Bonds, Continued:

Revenue Fund - all revenues are to be deposited in the Revenue Fund. All costs relating to the system, in addition to the costs for the payment of which moneys from time to time shall have been deposited in the Development Fund and in the Debt Service Fund, are to be paid from the Revenue Fund. The Trustee shall transfer funds from the Revenue Fund to the Debt Service Fund on or before the twenty-fifth day of each calendar month, to the extent such amount is available in the Revenue Fund after paying the monthly operating expenses with respect to the system, an amount equal to one-twelfth of the Twelve-Month Debt Service Requirement, as defined in the Indenture. Deficiencies in any month shall be transferred to the Debt Service Fund on the earliest date on which funds become available in the Revenue Fund.

Debt Service Fund - the Trustee, on behalf of GTA, shall make all payments of principal and interest on the bonds from the Debt Service Fund.

Indentures to the GHC Series 1998 Bonds:

The bonds are limited obligations of GHC payable from the revenues and other assets pledged for the payment thereof and are not a lien or charge upon the funds of GHC, except to the extent of the pledge and assignment set forth in the Indenture and in the bonds. The bonds do not constitute indebtedness or a loan of credit of GovGuam or the United States of America, within the meaning of the Organic Act of Guam or statutory provisions. Neither the faith and credit nor the taxing power of GovGuam is pledged to the payment of the principal or interest on the bonds. GHC has no taxing authority. The bonds are not a debt, liability or obligation of GovGuam, and GovGuam is not liable for the payment thereof.

The bonds maturing in September 2031 are not subject to optional redemption prior to maturity. The bonds maturing after September 2008 but before September 2021 are subject to redemption on any date on or after September 2008, at the option of GHC, in whole, or in part from such maturities as are determined by GHC, from any source of available monies, at the redemption prices set forth in the Indenture.

The bonds maturing in September 2018, in September 2021, and in September 2031 are subject to mandatory redemption prior to maturity at a redemption price equal to 100% of the principal amount redeemed, plus accrued interest thereon to the date fixed for redemption, from sinking fund installments which are required to be made in amounts sufficient to redeem on dates set forth in the Indenture.

GHC had expended bond proceeds and originated loans totaling \$6,249,012 as of September 30, 2004, for which the Trustee had fully disbursed such moneys from the Program Fund for the acquisition of Mortgage-Backed Securities.

The bond indenture contains certain restrictive covenants, including restrictions on the use of bond funds. Management of GHC is of the opinion that GHC was in compliance with all significant covenants except for the full non-origination of the entire \$50 million mortgage revenue bond as of September 30, 2004.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### G. Commitments and Contingencies

#### Leases

##### Guam Power Authority (GPA):

In September 1996, GPA entered into agreements to purchase electricity produced by generating plants constructed or refurbished and operated by three companies. The agreements have twenty-year terms. At the end of the agreements, ownership of the plants and the plant improvements reverts to GPA. Under each of the agreements, GPA pays capacity and operation and maintenance costs. GPA retroactively implemented the accounting guidance of EITF No. 01-8, effective October 1, 2001. EITF No. 01-8 provides guidance in determining when purchase agreements may be subject to lease accounting. In applying EITF No. 01-8, GPA determined that the agreements to purchase electricity were in fact capital leases to acquire the plants and that the capacity payments made under the agreements were lease payments. The operations and maintenance payments under the agreements continue to be reflected as operation and maintenance expenses.

The leases have effective interest rates ranging from 8.6% - 14.2%. Future capacity payments under these agreements are as follows:

#### Year Ending September 30,

2005	\$ 23,084,304
2006	23,084,304
2007	23,084,304
2008	23,084,304
2009	23,084,304
2010 - 2014	115,421,520
2015 - 2019	<u>94,221,073</u>
	325,064,113
Less amounts representing interest	<u>(171,543,717)</u>
	153,520,396
Less current portion	<u>(4,398,150)</u>
	\$ <u>149,122,246</u>

On December 31, 2002, GPA entered into a lease agreement for its office building for an initial term of two years with a monthly rental of \$25,000, with an option to extend for three additional one-year terms.

GPA also leases fuel storage tanks for a monthly fee of \$100,000 beginning September 1998, increasing to \$107,500 in March 2003. The initial term of the lease is for a period of 10 years with an option to renew for an additional 5-year period, expiring on September 2013, at an increased monthly lease fee of \$115,650.

# GOVERNMENT OF GUAM

## Notes to Financial Statements September 30, 2004

### (7) Discretely Presented Component Unit Disclosures, Continued

#### G. Commitments and Contingencies, Continued

##### Leases, Continued

Guam Power Authority (GPA), Continued:

At September 30, 2004, future minimum lease payments for the aforementioned leases are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2005	\$ 1,777,307
2006	1,323,188
2007	1,323,188
2008	1,323,188
2009	<u>2,766</u>
	\$ <u>5,749,637</u>

University of Guam (UOG):

In November 1997, UOG entered into a ten-year capital lease agreement to obtain equipment for an energy conservation project. Future obligations under the capital lease are as follows:

<u>Year Ending</u> <u>September 30,</u>	
2005	\$ 173,530
2006	173,530
2007	173,530
2008	<u>130,151</u>
	650,741
Less amounts representing interest	<u>(73,878)</u>
	576,863
Less current portion	<u>(173,530)</u>
	\$ <u>403,333</u>

Approximately \$1 million of construction in progress related to the energy conservation project was subsequently written off.

##### Land Transfers

In fiscal year 2002, the Guam Legislature enacted legislation that provides for a study for the potential transfer of certain land entrusted to GIAA to original landowners. Final legislative action to implement the transfer has not occurred and it is presently not determined if such action will occur. The financial impact of any such actions on GIAA is presently not determinable.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### G. Commitments and Contingencies, Continued

#### Environmental Remediation

On August 4, 2001, the Tanguisson Pipeline in the Mongmong/Toto area ruptured spilling black oil that contaminated an approximately 60,000 square foot area. The pipeline is operated by GPA and owned by the United States Navy. In 2004, GPA incurred clean-up costs totaling \$2,125,327. GPA has filed a claim with its insurance company for the costs of clean up less deductibles; however, reimbursement by the insurance company is considered unlikely.

#### Aircraft Crash

In August 1997, an airliner crashed on approach to the Airport runways, resulting in over two hundred fatalities and numerous injuries. In 1999, six claims relating to the crash were filed against GIAA. GIAA has denied all six claims. GIAA understands that the claimants have settled their claims with the Airlines and the U.S. Government and do not intend to pursue any action against GIAA. If the claimants decide to further pursue these actions, GIAA's insurer will handle defense. Management of GIAA is of the opinion that GIAA will incur no liability as the result of these claims.

#### Typhoon Damages

On July 5, 2002 and December 8, 2002, the island of Guam was struck by Typhoon Chata'an and Supertyphoon Pongsona, respectively. GovGuam has not yet performed an assessment of typhoon-related damages and, accordingly, a liability for accrued typhoon costs is presently not determinable.

A summary of the significant typhoon damages, net of anticipated federal reimbursements, for the discretely presented component units is as follows:

GIAA - estimated repair costs to GIAA's facilities as of September 30, 2004, amounted to \$6,429,763. As this amount is an estimate, actual costs may be materially different. In addition, the security fence surrounding GIAA's facilities was severely damaged and requires replacement. The estimated cost to replace and upgrade the security fence is approximately \$19 million. Approximately 90% of this replacement cost is expected to be covered by a Federal Aviation Administration grant.

GPA - estimated repair costs to GPA's utility plant and equipment as of September 30, 2004, amounted to \$9,373,863.

UOG - estimated repair costs to UOG's buildings and equipment as of September 30, 2004, amounted to \$1,335,175.

Guam Telephone Authority (GTA) - estimated repair costs to GTA's telecommunications system as of September 30, 2004, amounted to \$7,601,000. GTA expects much of the damage to be covered by insurance or reimbursements from FEMA. For the year ended September 30, 2004, typhoon casualty loss, in excess of recoverable amount totaled \$1,162,613.

# GOVERNMENT OF GUAM

Notes to Financial Statements  
September 30, 2004

## (7) Discretely Presented Component Unit Disclosures, Continued

### G. Commitments and Contingencies, Continued

#### Typhoon Damages, Continued

Port Authority of Guam (PAG) - estimated repair costs to PAG's port facilities as of September 30, 2004, amounted to \$5,775,000. PAG's insurance coverage is expected to absorb the final loss amount, less \$3.0 million insurance deductible and \$2.5 million of required self-insurance. Management of PAG intends to seek reimbursement from federal sources for a portion of the deductible and self-insurance amounts.

#### Environmental Monitoring

In September 2000, the Navy transferred 1,417 acres of property to GIAA and GovGuam at no cost. In November 2000, the Navy paid GIAA \$10 million. In exchange for the payment, GIAA and GovGuam agreed to complete certain environmental monitoring work on the property even if the cost of the environmental monitoring work exceeds the \$10 million remitted by the Navy. Under this cooperative agreement, the United States Navy may terminate or suspend the agreement if GIAA and GovGuam fail to complete such monitoring work. The future cost of the environmental monitoring work is presently not determinable. Accordingly, no loss, if any, that may result from the matter, has been recorded in the accompanying financial statements for this transaction.

#### Guam Waterworks Authority (GWA) EPA Violation

In December 2002, the United States Government filed a complaint against GWA and GovGuam for alleged violations under the Federal Clean Water Act (CWA) and the Safe Drinking Water Act (SDWA). Because of GWA's non-compliance with the National Primary Drinking Water Regulations, the U.S. Government is seeking both civil penalties and injunctive relief to address such non-compliance. GWA and the U.S. Department of Justice, Environmental and Natural Resources Division, mutually agreed in the form of Stipulated Order to resolve the violation issues. On June 5, 2003, Stipulated Order For Preliminary Relief was filed before the District Court of Guam. The Stipulation requires implementation of short-term projects and initial planning measures by GWA. GWA is required to submit a final financial plan in the Master Plan, that generates sufficient revenues to cover the cost of all compliance activities and deliverables required by the Stipulated Order for Preliminary Relief, as well as any other anticipated expenses, including any measures necessary to ensure compliance with the CWA and the SDWA and costs related to the infrastructure improvements identified in the Master Plan.

## (8) Special Items

Special items includes a change in tax refund liability of \$17,993,424, which relates to over provisioning of tax refunds in prior years, and \$5,893,926, which relates to a gain from a tax drawback settlement. These amounts have been reflected as special items within the accompanying financial statements as they are considered infrequent in occurrence.



**GOVERNMENT OF GUAM**

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**REQUIRED SUPPLEMENTARY  
INFORMATION**

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**YEAR ENDED SEPTEMBER 30, 2004**



# GOVERNMENT OF GUAM

## Statement of Revenues, Expenditures, and Changes in Deficit - Budget and Actual General Fund Year Ended September 30, 2004

	Original Budget	Final Budget	Actual	Variance
Revenues:				
Taxes:				
Income	\$ 168,426,549	\$ 168,426,549	\$ 154,875,272	\$ (13,551,277)
Gross receipts	189,201,601	189,201,601	170,610,706	(18,590,895)
Licenses, fees and permits	4,487,316	4,487,316	2,282,224	(2,205,092)
Use of money and property	363,384	363,384	120,521	(242,863)
Federal contributions	42,389,014	42,389,014	62,501,258	20,112,244
Contributions from component units	-	-	2,133,054	2,133,054
Other	5,047,514	5,047,514	16,449,563	11,402,049
Total revenues	<u>409,915,378</u>	<u>409,915,378</u>	<u>408,972,598</u>	<u>(942,780)</u>
Expenditures:				
Current:				
General government	30,332,157	37,998,101	30,331,015	7,667,086
Protection of life and property	51,915,052	62,172,240	60,403,905	1,768,335
Public health	12,530,363	13,170,363	11,312,177	1,858,186
Community services	3,875,297	4,230,556	4,070,115	160,441
Recreation	2,785,790	3,589,229	3,582,525	6,704
Individual and collective rights	10,299,317	6,445,172	10,391,511	(3,946,339)
Transportation	1,761,190	1,524,350	1,438,035	86,315
Public education	141,138,405	139,857,019	146,005,349	(6,148,330)
Environmental protection	-	-	368	(368)
Economic development	2,342,803	3,235,226	3,117,728	117,498
Transfer to persons	1,524,553	1,524,553	-	1,524,553
Payments to:				
Retirement Fund	7,985,476	7,985,476	11,767,566	(3,782,090)
University of Guam	28,253,500	28,253,500	28,253,500	-
Guam Community College	12,421,532	12,421,532	12,421,530	2
Guam Economic Development and Commerce Authority	224,143	224,143	228,989	(4,846)
Debt service:				
Interest and fiscal charges	-	-	2,146,092	(2,146,092)
Total expenditures	<u>307,389,578</u>	<u>322,631,460</u>	<u>325,470,405</u>	<u>(2,838,945)</u>
Excess of revenues over expenditures	<u>102,525,800</u>	<u>87,283,918</u>	<u>83,502,193</u>	<u>(3,781,725)</u>
Other financing sources (uses):				
Transfers in from other funds	21,385,350	21,385,340	21,385,340	-
Transfers out to other funds	(123,911,150)	(118,729,073)	(122,351,770)	(3,622,697)
Total other financing sources (uses), net	<u>(102,525,800)</u>	<u>(97,343,733)</u>	<u>(100,966,430)</u>	<u>(3,622,697)</u>
Special item:				
Overprovisioning for tax refunds	-	-	17,993,424	17,993,424
Net change in deficit	-	(10,059,815)	529,187	10,589,002
Deficit at beginning of year	(314,122,342)	(314,122,342)	(314,122,342)	-
Deficit at end of year	<u>\$ (314,122,342)</u>	<u>\$ (324,182,157)</u>	<u>\$ (313,593,155)</u>	<u>\$ 10,589,002</u>

See accompanying notes to required supplementary information - budgetary reporting.

## GOVERNMENT OF GUAM

### Note to Required Supplementary Information – Budgetary Reporting September 30, 2004

#### Budgetary Process

Legislation requires the Governor to present a proposed budget to the Legislature at the beginning of each annual session. The Legislature enacts the budget through passage of specific departmental appropriations. Before signing the Appropriations Act, the Governor may veto or reduce any specific appropriation, subject to legislative override. Once passed and signed, the budget becomes the Territorial financial plan for the ensuing fiscal year. Supplemental appropriations for specific purposes are made throughout the year.

Budgetary control is maintained within the departmental level. Budget revisions during the year, reflecting program changes or intradepartmental transfers of an administrative nature, may be effective with certain executive and legislative branch approval. Unencumbered appropriations normally lapse at the end of each fiscal year unless they are designated by the Legislature as representing continuing appropriations.

The Budget Act for fiscal year 2004, Public Law 27-29 was approved for the Executive branch and the Legislative branch. Budgets for Special Revenue Funds are generally not submitted. Accordingly, a budget to actual presentation for Special Revenue Funds is not required or presented. Project length financial plans are adopted for capital projects funds.

GovGuam's annual budget has been prepared on a basis, which differs from governmental GAAP. Actual amounts in the accompanying budgetary comparison statements are presented on a basis, which excludes outstanding encumbrances as a budgetary expenditure.

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

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**OTHER SUPPLEMENTARY  
INFORMATION**

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**YEAR ENDED SEPTEMBER 30, 2004**



# GOVERNMENT OF GUAM

## Combining Schedule of Expenditures By Object Governmental Funds Year Ended September 30, 2004

	General	Special Revenue		Other Governmental Funds	Total
		Federal Grants	Solid Waste Operations		
Expenditures by Object:					
Salaries and wages	\$ 225,277,870	\$ 32,453,972	\$ 3,257,925	\$ 65,919,923	\$ 326,909,690
Grants	53,044,428	41,145,448	-	18,476,279	112,666,155
Contractual services	17,968,471	28,251,827	353,837	26,363,855	72,937,990
Principal retirement	-	-	-	37,521,927	37,521,927
Utilities	16,812,567	1,085,010	16,923	4,844,563	22,759,063
Medical care	-	-	-	20,703,175	20,703,175
Interest and fiscal charges	617,393	-	-	18,425,928	19,043,321
Capital outlays	633,036	13,898,496	134,917	3,771,587	18,438,036
Supplies	9,056,338	1,400,343	306,119	7,218,402	17,981,202
Travel	511,175	1,452,046	2,511	3,234,854	5,200,586
Equipment	284,437	253,394	5,532	2,254,068	2,797,431
Workers compensation benefits	96,676	1,966	-	6,606	105,248
Other	1,168,014	13,464,689	744	13,639,310	28,272,757
	<u>\$ 325,470,405</u>	<u>\$ 133,407,191</u>	<u>\$ 4,078,508</u>	<u>\$ 222,380,477</u>	<u>\$ 685,336,581</u>

See Accompanying Independent Auditors' Report

**GOVERNMENT OF GUAM**

Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2004

<u>ASSETS</u>	Other Special Revenue	Other Capital Project	Other Debt Service	Total
Cash and cash equivalents	\$ 21,911,414	\$ 1,128,203	\$ 8	\$ 23,039,625
Time certificates of deposit	-	1,000,718	-	1,000,718
Investments	8,120,000	-	-	8,120,000
Receivables, net:				
Taxes	2,638,166	-	-	2,638,166
Federal agencies	4,073,262	-	-	4,073,262
Other	4,566,244	29,180	-	4,595,424
Due from other funds	51,774,270	7,364,318	14,775,319	73,913,907
Inventories	583,403	-	-	583,403
Deposits and other assets	353,287	-	-	353,287
Restricted assets:				
Cash and cash equivalents	-	38,224,963	68,686,143	106,911,106
Investments	-	518,793	9,009,000	9,527,793
<b>Total assets</b>	<b>\$ 94,020,046</b>	<b>\$ 48,266,175</b>	<b>\$ 92,470,470</b>	<b>\$ 234,756,691</b>
<u><b>LIABILITIES AND FUND BALANCES (DEFICITS)</b></u>				
Liabilities:				
Bank overdraft	\$ 397,486	\$ -	\$ -	\$ 397,486
Accounts payable	12,282,568	1,300,861	-	13,583,429
Accrued payroll and other	8,882,466	442,678	2,000	9,327,144
Due to component units	10,124,204	-	-	10,124,204
Due to other funds	24,463,883	966,278	43,167,474	68,597,635
Payable to federal agencies	1,424,784	-	-	1,424,784
Deferred revenue	30,550	-	-	30,550
Provision for tax refunds	13,818,757	-	-	13,818,757
Deposits and other liabilities	1,568,596	-	-	1,568,596
<b>Total liabilities</b>	<b>72,993,294</b>	<b>2,709,817</b>	<b>43,169,474</b>	<b>118,872,585</b>
Fund balances:				
Reserved:				
Related assets	637,156	-	12,795,874	13,433,030
Encumbrances	15,283,338	2,589,377	-	17,872,715
Continuing appropriations	9,937,445	7,766,550	-	17,703,995
Debt service	-	-	36,505,122	36,505,122
Unreserved (deficits):				
Special revenue funds	(4,831,187)	-	-	(4,831,187)
Capital projects funds	-	35,200,431	-	35,200,431
<b>Total fund balances</b>	<b>21,026,752</b>	<b>45,556,358</b>	<b>49,300,996</b>	<b>115,884,106</b>
<b>Total liabilities and fund balances</b>	<b>\$ 94,020,046</b>	<b>\$ 48,266,175</b>	<b>\$ 92,470,470</b>	<b>\$ 234,756,691</b>

See Accompanying Independent Auditors' Report



# GOVERNMENT OF GUAM

## Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits) Nonmajor Governmental Funds Year Ended September 30, 2004

	Other Special Revenue	Other Capital Project	Other Debt Service	Total
Revenues:				
Taxes:				
Property	\$ 21,737,418	\$ -	\$ -	\$ 21,737,418
Hotel	17,674,859	-	-	17,674,859
Liquid fuel	8,910,185	-	-	8,910,185
Other taxes	9,856,869	-	-	9,856,869
Licenses, fees and permits	28,680,892	-	-	28,680,892
Use of money and property	361,843	1,361,268	89,037	1,812,148
Federal contributions	43,075,430	-	-	43,075,430
Other	333,082	-	-	333,082
Total revenues	<u>130,630,578</u>	<u>1,361,268</u>	<u>89,037</u>	<u>132,080,883</u>
Expenditures by Function:				
Current:				
General government	17,663,928	-	-	17,663,928
Protection of life and property	11,400,485	-	-	11,400,485
Public health	5,147,515	-	-	5,147,515
Community services	25,100,055	-	-	25,100,055
Recreation	53,139	-	-	53,139
Individual and collective rights	29,342,342	1,061,814	-	30,404,156
Transportation	2,660,466	-	-	2,660,466
Public education	42,809,983	-	-	42,809,983
Environmental protection	350,513	-	-	350,513
Economic development	120,050	-	-	120,050
Payments to Guam Visitors Bureau	10,009,438	-	-	10,009,438
Payments to Guam Memorial Hospital	5,728,457	-	-	5,728,457
Payments to University of Guam	2,738,384	-	-	2,738,384
Capital projects	-	12,658,189	-	12,658,189
Debt service:				
Principal retirement	-	489,424	37,032,503	37,521,927
Interest and fiscal charges	-	-	18,013,792	18,013,792
Total expenditures	<u>153,124,755</u>	<u>14,209,427</u>	<u>55,046,295</u>	<u>222,380,477</u>
Deficiency of revenues under expenditures	<u>(22,494,177)</u>	<u>(12,848,159)</u>	<u>(54,957,258)</u>	<u>(90,299,594)</u>
Other financing sources (uses):				
Transfers in from other funds	62,580,749	-	58,516,981	121,097,730
Transfers out to other funds	(42,145,969)	(475,203)	(518,912)	(43,140,084)
Total other financing sources (uses), net	<u>20,434,780</u>	<u>(475,203)</u>	<u>57,998,069</u>	<u>77,957,646</u>
Special item:				
Gain on tax drawback settlement	5,893,926	-	-	5,893,926
Net change in fund balances	3,834,529	(13,323,362)	3,040,811	(6,448,022)
Fund balances at beginning of year	17,192,223	58,879,720	46,260,185	122,332,128
Fund balances at end of year	<u>\$ 21,026,752</u>	<u>\$ 45,556,358</u>	<u>\$ 49,300,996</u>	<u>\$ 115,884,106</u>

See Accompanying Independent Auditors' Report

# GOVERNMENT OF GUAM

## Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits) Nonmajor Governmental Funds Year Ended September 30, 2004

	Other <u>Special Revenue</u>	Other <u>Capital Project</u>	Other <u>Debt Service</u>	<u>Total</u>
Revenues:				
Taxes:				
Property	\$ 21,737,418	\$ -	\$ -	\$ 21,737,418
Hotel	17,674,859	-	-	17,674,859
Liquid fuel	8,910,185	-	-	8,910,185
Other taxes	9,856,869	-	-	9,856,869
Licenses, fees and permits	28,680,892	-	-	28,680,892
Use of money and property	361,843	1,361,268	89,037	1,812,148
Federal contributions	43,075,430	-	-	43,075,430
Other	333,082	-	-	333,082
Total revenues	<u>130,630,578</u>	<u>1,361,268</u>	<u>89,037</u>	<u>132,080,883</u>
Expenditures by Object:				
Salaries and wages	65,919,923	-	-	65,919,923
Principal retirement	-	489,424	37,032,503	37,521,927
Contractual services	15,352,483	11,011,372	-	26,363,855
Interest and fiscal charges	-	412,136	18,013,792	18,425,928
Medical care	20,703,175	-	-	20,703,175
Grants	18,476,279	-	-	18,476,279
Supplies	6,514,915	703,487	-	7,218,402
Utilities	4,844,563	-	-	4,844,563
Capital outlays	2,331,700	1,439,887	-	3,771,587
Travel	3,234,854	-	-	3,234,854
Equipment	2,132,368	121,700	-	2,254,068
Workers compensation benefits	6,606	-	-	6,606
Other	13,607,889	31,421	-	13,639,310
Total expenditures	<u>153,124,755</u>	<u>14,209,427</u>	<u>55,046,295</u>	<u>222,380,477</u>
Deficiency of revenues under expenditures	<u>(22,494,177)</u>	<u>(12,848,159)</u>	<u>(54,957,258)</u>	<u>(90,299,594)</u>
Other financing sources (uses):				
Transfers in from other funds	62,580,749	-	58,516,981	121,097,730
Transfers out to other funds	(42,145,969)	(475,203)	(518,912)	(43,140,084)
Total other financing sources (uses), net	<u>20,434,780</u>	<u>(475,203)</u>	<u>57,998,069</u>	<u>77,957,646</u>
Special item:				
Gain on tax drawback settlement	5,893,926	-	-	5,893,926
Net change in fund balances	3,834,529	(13,323,362)	3,040,811	(6,448,022)
Fund balances at beginning of year	17,192,223	58,879,720	46,260,185	122,332,128
Fund balances at end of year	<u>\$ 21,026,752</u>	<u>\$ 45,556,358</u>	<u>\$ 49,300,996</u>	<u>\$ 115,884,106</u>

See Accompanying Independent Auditors' Report

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds September 30, 2004

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes. A brief discussion of GovGuam's nonmajor governmental funds - special revenue funds as of September 30, 2004, follows.

1999 SPG Revolving Fund – This fund was created by Public Law 25-01 for planning, conducting and hosting the 1999 South Pacific Games. Disbursement of funds shall take a majority vote of the SPG Commission.

Abandoned Vehicle and Streetlight Fund - This fund is maintained to defray the cost of street lights and to fund the removal of abandoned vehicles. Funding of these programs is provided from a five dollar annual vehicle registration fee and local appropriations.

Accessible Parking Fund - The fund was created by Public Law 18-28 to ensure that disabled persons are given equal access to government offices and services. Revenues are generated from fines collected from those parked illegally in handicapped parking spaces. Expenditures are authorized for maintenance of disabled parking areas.

Agana Fractional Lots Program Fund - The Agana Fractional Lots Program Fund was initially established to account for transactions relevant to the Agana Fractional Lot Program dating back to the 1960s. Such transactions may involve the condemnation and seizure of lands from property owners by GovGuam and the compensation of those seized lands to the property owners.

Air Pollution Control Fund – This fund was created by Public Law 24-40 to provide a coordinated Territory-wide program of air pollution prevention, abatement, and control. Revenues are derived primarily from permit application fees and annual emission fees.

Aquaculture Development and Training Fund - This fund was created by Executive Order 88-023 to cover the costs associated with production relating to the Aquaculture Development and Training Center. Revenues for this fund are generated from the sale of the Center's products, leased equipment and facilities and service fees. The fund is administered by the Department of Commerce.

Autonomous Agency Infrastructure Collections Fund - This fund, created by Public Law 24-14, was created to ensure the health and public safety of the people of Guam and public works. The revenues are derived from the operating surpluses generated by autonomous agencies.

Board of Accountancy Fund - This fund was created for the purpose of regulating aspects of the practice of public accountancy. The Guam Code Annotated Title 22, Subsection 35104(d) states, "all monies collected by the Board ... shall be deposited with the Treasurer of Guam to the credit of the Board." Sources of revenues are from the issuance of certificates and permit fees collected from public accountants and firms practicing public accountancy. Monies shall be expended for administering the Public Accountancy Act of 1990.

Carrier Off-Duty Services Revolving Fund – This fund was created by Public Law 25-138. Charges from this fund are from services performed by Customs and Quarantine Officers, in the performance of their duties on any day of the week upon special request by the Director of Customs and Quarantine on Sundays, holidays, or between the hours of 5:00 p.m. of any other day and 6:00 a.m. of the following day when services are required.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Chamorro Commercial Loan Fund – Established in 1993 by Public Law 21-148, the Chamorro Commercial Loan Fund is created through the authority of the Chamorro Land Trust Commission. Loans are to be made available to Chamorro Land Trust lessees or by organizations formed and controlled by lessees for the development of theaters, garages, service stations, markets, stores and other mercantile establishments.

Chamorro Education Assistance Fund – This fund was created within the Chamorro Land Trust Commission to account for funds transferred from the Chamorro Home Loan Fund to be expended on educational projects, after consultation with the University of Guam and the Commission, which shall be directed primarily for the educational improvement of the children of lessees.

Chamorro Home Development Fund – This fund was created within the Chamorro Land Trust Commission to account for funds transferred from the Chamorro Home Loan Fund to be made available, with the prior written approval of the Governor, for construction of sanitary sewage facilities, construction of roads through and over Chamorro homelands, and for other nonrevenue producing improvements.

Chamorro Home Loan Fund – This fund was created within the Chamorro Land Trust Commission to account for funds transferred from the General Fund to be made available to extend loan benefits to native Chamorros.

Chamorro Home Repair Fund – This fund was created within the Chamorro Land Trust Commission to account for funds transferred from the General Fund to be made available for loans in amounts not in excess of Five Thousand Dollars (\$5,000) to lessees for repairs to their existing homes and for necessary additions to such homes due to increase in family size. Such loans may be made for periods not to exceed five (5) years.

Chamorro Language Commission Fund – This fund was created to finance the activities of the Chamorro Language Commission. These include the study of antecedents, describing good grammar and usages for the Chamorro language and also to prepare a Chamorro-English dictionary. Funding is provided principally from local appropriations.

Chamorro Loan Guarantee Fund – This fund was created within the Chamorro Land Trust Commission to account for loan guarantees granted by governmental agencies or lending institutions to those holding leases or licenses issued under §75107 of the Chamorro Land Trust Commission Act. This guarantee may be for home or commercial loan purposes. The loan guarantees shall be subject to the restrictions imposed by §§75108 and 75113 of this Act.

Coastal Zone Management Fund – The fund was created by Executive Order 93-04 to defray costs for the Eleventh Pacific Basin Coastal Zone Management Conference hosted by the Bureau of Planning. Revenues are generated from the registration fees from participants of the conference.

CAHA, OET and CEF Fund - This fund was created by Public Law 22-060 to provide off-island travel assistance to eligible organizations, schools and individuals participating in the performing arts and humanities competitions.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Community Development Fund - The fund was created by Public Law 18-15 for the purpose of providing minor repairs and maintenance services to the communities in Guam. Revenues are provided through transfers from the Tourist Attraction Fund. Expenditures are made for salaries of employees performing minor repairs and maintenance, in accordance with Section 15009.5 of the Government Code and to purchase equipment and supplies.

Community Health Center - This fund was created to provide for the Southern Community Health Center. Revenues are derived from fees charged to health service recipients utilizing the Center. Revenues are applied to expenditures applicable to the operation of the Center.

Consumer Protection Fund - The Consumer Protection Fund was created by Public Law 21-18 to account for civil penalties collected under the Deceptive Trade - Practices Consumer Protection Act.

Contractors' License Board Fund - This fund was created to protect the public by licensing the contractors of Guam. Revenues are derived from both license fees and local appropriations.

Controlled Substance Diversion Fund - This fund was created by Public Law 24-149 for use by the Department of Public Health for programs to monitor controlled substances, to identify and detect its diversion, equipment, supplies and contracts necessary to monitor controlled substances, and training of employees tasked with administering the Act. Revenues for this fund are provided for by fees assessed in relation to the registration and control of the manufacture, distribution and dispensing of controlled substances in Guam.

Criminal Injuries Fund - The Criminal Injuries Fund was enacted under Public Law 20-155. The fund was created for the purpose of compensating victims injured through criminal mischief. Public Law 20-155 created the Criminal Injuries Commission which was created to determine, on a case by case basis, who is worthy of compensation. Sources of funding are prosecuted criminals (offenders) and Government appropriations. Per Public Law 20-155, compensation must be made within 18 months of date of injury. In addition, no claim will be awarded in excess of \$10,000.

Customs, Agriculture, and Quarantine Inspection Services Fund - This fund was created by Public Law 23-45 and amended by Public Law 23-96 Section 73145 of the Government Code of Guam. The law requires that each aircraft landing at the Guam International Airport Terminal (GIAT) shall be levied a customs, agriculture, and quarantine inspection service charge reasonably related to the cost incurred by the Customs and Quarantine Agency and the Department of Agriculture in providing, maintaining and operating the service charge facilities, and shall be allocated among air carriers in such a manner reasonably related to the relative demand for such services attributable to each carrier. All expenditures of the Fund shall be made exclusively by appropriation of the Guam Legislature. The Fund shall not be commingled with the General Fund and shall be kept in a separate bank account.

Dededo Buffer Strip Revolving Fund - This fund was created as a result of the re-enactment of Section 68901(1) of Title 21 of the Guam Code Annotated as amended by Public Law 24-59. This authorizes the Department of Land Management to enter into commercial leases, not exceeding ten (10) years, for the use of the Dededo and Yigo Municipal Planning Councils (two-thirds to Dededo and one-third to Yigo) for the upkeep and maintenance of sports and recreational facilities.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

DOC Inmates Revolving Fund - The fund was created by Executive Order 94-17 and is administered by the Department of Corrections. Revenues are generated from funds collected for housing U.S. prisoners and detainees, meals charged to DOC employees, and sale of wet garbage to private persons. Expenditures are for purchases of clothing, food, equipment, medical supplies and medicines for prisoners and detainees.

D.O.D. Contract Fund - This fund was created by the Department of Administration to account for funds from the United States Department of Defense to the Department of Education (D.O.E.) specifically to provide for fixed tuition payment per eligible D.O.D. student enrolled in the Guam D.O.E. system and for the recruitment of qualified teachers. This fund is not subject to the provisions of OMB Circular A-133.

DPW Building and Design Fund - This fund was created by Public Law 20-221 to be used for review and building inspection operational expenditures. Any fees collected from plan review and building inspection shall be deposited to the special fund.

District Improvement Fund - This fund was created by Public Law 20-183 for the purposes of funding improvement projects to include, but is not limited to capital improvement projects, services, and other beautification tasks. Revenues are derived from taxes collected from the Real Estate Property Taxes. The fund contains nineteen district sub-accounts, and appropriations from a sub-account may be made upon request to the Legislature by resolution of the Municipal Planning Council of the requesting district.

Drivers' Education Fund - This fund was created by Public Law 22-20 to be expended on personnel, travel, purchase of vehicles, insurance, fuel and maintenance, textbooks and materials, driving simulators, a consultant and for teachers' stipends.

Enhanced 911 Emergency Reporting System Fund - This fund was created by Public Law 25-55. The fund is created to provide a source of funding for cost associated with the "911" Emergency Reporting System by charging a monthly surcharge known as the "911 Surcharge" paid by Local Exchange Telephone and Commercial Mobil Radio Service subscribers. All money and interest earned by this fund will be used by the Guam Fire Department solely for enhanced "911" equipment and systems.

Environmental Health Fund - This fund was created by Public Law 25-120 to account for all fees and penalties collected pursuant to laws enforced by the Division of Environmental Health of the Department of Public Health and Social Services.

Exxon Fuel Overcharge Fund - This fund was created based on a federal court decision against the Exxon Corporation. Guam was allocated some three million dollars as its share of the settlement. Expenditures are limited to Federal Energy Programs. Revenues are from interest earned on this fund's interest bearing account. This fund is administered by the Guam Energy Office.

Farmers' and Fishermen's Loan Revolving Fund - This fund was created by Public Law 20-105 to grant loans to farmers and fishermen not to exceed \$50,000 and not to exceed 4% interest per annum per individual. The loans shall be used for improvement of farmlands and farming and fishing operating expenditures. Payments of principal and interest on the loans shall be deposited to the Fund.

Farmers' Small Loan Revolving Fund - This fund was created by local appropriation for the purpose of making low interest loans to local farmers and fishermen.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Financial Management Revolving Fund – This fund was created by Executive Order No. 2002-12 for costs associated with the handling and accounting for monies and deposits to be charged for treasury services related to the Financial Management Division.

Firefighter Equipment Replacement Fund – This fund was created by Public Law 25-03 as a receiving account for all funds (local, Federal or donated) provided for the purpose of replacing essential fire fighting equipment for the Guam Fire Department.

General Services Agency (GSA) – GSA is maintained within the Department of Administration as the centralized procurement and warehousing for departments and agencies of GovGuam. Additionally, GSA oversees the delegation of procurement authority of approximately eleven departments and agencies.

GSA Inventory Revolving Fund – This fund was created for the purchase and replenishment of items to be carried in the supplies inventory maintained in the warehouse operated by GSA.

GSA Liquidated Damages Fund - This fund was created by Executive Order 86-24 for the purchase of materials and other equipment necessary to support the procurement process. Revenue for this fund is provided by photocopying charges for bid documents and liquidated damages assessed vendors for delay or failure in the delivery of items ordered or in the performance of specific services.

Government Claims Fund - This fund was created by Public Law 17-029 in order to pay for claims against any line agency of GovGuam. The sources of revenue are obtained from legislative appropriations. The Attorney General administers this fund and designates which claims shall be paid.

Government House Revolving Fund - This fund was created by Executive Order 87-008. Its purpose is to account for the fees charged and related expenditures made for the use of the Government House for public functions held.

Group Life Insurance Fund – This fund was created by Public Law 18-33 from which claims were paid out as set forth in GovGuam's group life insurance policy between April 30, 1986, and sixty days thereafter, or until a private insurance company takes over GovGuam's group life insurance program. Funding is derived from premiums deducted from eligible subscribers. The fund was abolished and dissolved on January 1, 1997. The fund's balances and receivables were credited to the General Fund.

Guam Based Trust Fund – This fund was created by Public Law 25-73 to provide for the protection of the public interest and to regulate companies that engage in the Trust Company business.

Guam Beautification Fund – This fund was created whereby 50% of assessments, fines, bail forfeitures and other funds collected pursuant to §51204 of Title 10, Guam Code Annotated, shall be deposited and used for landscaping, planting of grass, shrubs, trees and flowers, and for other improvements to public recreational areas.

GDOE Federal Grants Fund – This fund was created within the Guam Department of Education to account for all activities of special federal assistance grants utilized by GDOE.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Guam Environmental Trust Fund - This fund was created through Public Law 21-10. The fund is administered by the Guam Environmental Protection Agency and was created to clean up hazardous materials and to restore and repair damage to the environment. Revenues are generated through collection of a 2% assessment fee on all commercial and industrial liability insurance premiums which will be collected by the Department of Revenue and Taxation.

GFD Capital Outlay Revolving Fund - This fund was created to purchase essential emergency rescue and firefighting vehicles, and emergency life support and medical equipment, which is under the control of the Guam Fire Department and the Director of Administration.

GFD Lease-to-Purchase Program Fund - This fund was created by Public Law 26-35 within the Guam Fire Department to account for debt service incurred for the lease or purchase of firefighting equipment.

Guam Housing Corporation Revolving Fund - This fund was created by Public Law 20-210 to provide a low interest government loan to the Guam Housing Corporation (GHC) in order for the GHC to extend low interest mortgage loans to low and moderate income families and individuals. The loans shall be used for the purpose of construction of a home under the GHC lending programs. All payments of principal and interest received by GHC as payment of the loan shall be deposited in the Fund.

Guam Museum Fund - This fund was created by Public Law 21-118 to provide benefits to Museum facility expansion and improvements. All revenues and other property of the Guam Museum are exempt from taxation by GovGuam. All donations to the Museum shall be tax deductible to the donors. The Board of Trustees of the Museum shall administer this fund.

Guam Preservation Trust Fund - This fund was created by Public Law 20-151 as a non-profit public corporation, for the purpose of the preservation of the island's many historical and cultural locations. Revenues are derived from building permit fees assessed to contractors before the issuance of any type of building permit. Expenditures are limited to costs involved in the acquisition of threatened Guam properties for the preservation of their historical value, and to support other activities directly related to increasing the public appreciation of the benefit from historical places.

Health and Human Services Fund - This fund was created by Public Law 24-174 to account for 10% of proceeds from the sale and securitization of the allocation under the Master Settlement Agreement for settlements received from the tobacco industry.

Health and Security Trust Fund - This fund was created by Public Law 24-174 to account for 50% of proceeds from the sale and securitization of the allocation under the Master Settlement Agreement to be expended for the operations and capital expenditures of the Guam Memorial Hospital Authority.

Health Professional Licensure Fund - This fund was created by Public Law 21-33 to defray the cost of obtaining standardized examination materials and services for the healing arts and cosmetology licensure and the cost of proctoring examination at the testing site.

Healthcare Systems Privatization Fund - This fund was created by Public Law 26-35 for the purpose of funding agreements entered into by the Director of Public Health and Social Services with a private, qualified managed care health plan, HMO, PPO or insurance company to act as a Healthcare System Provider for the provision of applicable hospital, medical, dental, and mental health coverage to eligible members of one (1) or all of the Guam Children's Health Insurance Program, the Guam Medicaid Program, and the Guam Medically Indigent Program, (collectively, 'the Healthcare System').

See Accompanying Independent Auditors' Report.



## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Healthy Futures Fund – This fund was created by Public Law 27-05 to account for 50% of proceeds received on alcoholic beverages excise taxes and all tobacco-related taxes to be expended for health and education programs relating to tobacco and alcohol prevention, cessation, treatment and control, and to improving overall health and well-being.

Housing Revolving Fund - This fund is maintained to account for the leasing of Government of Guam housing units to both private individuals and public organizations. Funding of this program is provided by both rental fees and Government contributions.

Human Resource Services Revolving Fund – This fund was created by Executive Order No. 2002-01 for administrative costs and supplies and equipment costs associated within the areas of classification and pay, recruitment, records, employee benefits, test development, employee management relations, training and development, as well as the Drug-Free Workplace Program of the Human Resources Division.

Income Tax Rebate Fund - This fund is maintained to segregate and accumulate for disbursement, tax monies paid in by GEDA Qualifying Certificate holders. This fund also serves to measure the financial impact of the GEDA program.

Income Tax Refund Reserve Fund - This fund was created by Public Law 22-140 for the purpose of receiving General Fund revenues reserved for income tax refund payments. This fund is not subject to any transfer authority of the Governor of Guam.

Individuals with Disabilities Disaster Recovery Fund – This fund was created by Public Law 24-172 to mitigate damages and losses of medical equipment, medical supplies and medications to individuals with disabilities and other patients under the care of a licensed physician. Funding is provided primarily through General Fund appropriations.

Inmates Work Release Fund - This fund was created by Public Law 21-75 for the purpose of providing gainful employment to persons who, having been sentenced after convictions of a crime, is in the custody of the Director of Corrections. The program shall encompass the manufacturing of artifacts and souvenirs, automotive repair work, farm labor, forestry and other programs that the Director sees fit to implement.

Komitea Para Tiyan – This fund was created by Public Law 23-46 for the purpose of collecting proceeds from lease fees or rental of equipment and facilities within NAS. Money collected shall be used only for payment of utility expenses incurred by the common areas of Tiyan and not for utility expenses incurred by any department or agency.

Land Acquisition Fund – This fund was created by Public Law 9-170 for the purposes of acquiring private land for public purposes. Initial capital in the amount of \$500,000 was appropriated to the fund, and shall be replenished by annual appropriations by the Legislature.

Land Claims Fund - This fund was created by Public Law 16-111 to grant loans to those persons who are eligible to bring proceedings for additional compensation under the provisions of Section 204 of the Omnibus Territories Act of 1977 for land acquired by the United States between July 21, 1944 and August 23, 1963, other than through judicial condemnation proceedings in which the issue of compensation was adjudicated in a contested trial in the District Court of Guam.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Land for the Landless Fund - This fund was created to maintain funds acquired from the sale of lands sold by GovGuam to individuals. The Director of Administration shall administer this fund. Expenditures from this fund shall only be authorized by the Provider of Public Works and may only be used for the installation and maintenance of infrastructure within the various subdivisions under the program.

Land Survey Revolving Fund - This fund was created in order to administer the surveying, mapping, and registration of all government-owned properties. Revenues are derived from certain documentary fees and proceeds from leases of government land. Funds are expended after allotments authorizing their expenditure are created by the Bureau of Budget and Management Research.

Legislature Operations Fund - The Guam Legislature was created by the Organic Act of Guam, as amended. It is a unicameral body of 15 members elected bi-annually. It meets in two regular year-round sessions. Funding is provided through General Fund appropriations.

Litter Control Revolving Fund - This fund was created by Public Law 17-87. The administrator of the Guam Environmental Protection Agency is responsible for the Fund's activities. All fines, assessments, bail forfeitures and other funds collected from violation of Territorial litter laws are deposited into this Fund. Expenditures made from the Fund are authorized for enforcement of the litter laws, educational programs, and clean-up of public areas. The requirements of the fund are described in Section 51204, 10 GCA Chapter 51, Article 2.

Livestock Fund - This fund was created by Public Law 25-186 to administer the transfer/sale of livestock.

Manpower Development Fund - This fund was created by Public Law 18-48 to enhance manpower training programs. The fund receives revenues from registration fees of non-immigrant workers.

Medically Indigent Program Payment Revolving Fund - This fund was created by Public Law 25-164 to be used for the payment of any authorized Medically Indigent Program obligation, regardless of when the obligation was incurred.

Medicaid and Medically Indigent Program Assistance Payment Fund - This fund was created by Public Law 26-58 to be used for the purpose of covering any program shortfall in the Medically Indigent Program and Public Assistance Program of the Department of Public Health and Social Services.

Mental Health and Substance Abuse Fund - This fund was created by Public Law 26-68 to account for all proceeds received by the Youth Tobacco Education and Prevention Fund to be expended for youth compliance monitoring and tobacco and drug prevention and education programs.

Municipal Litter and Defacement Fund - This fund was created by Public Law 25-119 to account for all funds received from the enforcement of litter laws and to be used by Mayors with the approval of the Municipal Planning Council for beautification and safety projects, including, but not limited to, the purchase of supplies.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Notary Public Revolving Fund - This fund was created by Public Law 23-81 to account for all funds generated from fees for application, authentication, copying and other government fees required by the notary program. The funds shall be used by the Attorney General for the purpose of overseeing the notary program, including personnel costs for training, notary educational programs and conferences, and any administrative and equipment costs.

Ocean Freight Legal Fund - This fund was created by Public Law 20-221 for the purpose of funding expenses incurred in determining whether ocean freight rates being assessed for cargo carriage between the U.S. mainland and Guam are just and reasonable and to develop a rate setting mechanism which would be acceptable to the shipping lines, the federal government and GovGuam.

Off-Island Sports Travel Fund - This fund was created for the purpose of providing grants for transportation expenses for off-island travel by civilian sports organizations and individuals who engage in athletic competition and ROTC Drill Teams.

Off-Island Travel Fund - This fund was created by Public Law 25-98 Section 24, for the purpose of paying for off-island travel expenses incurred within the Executive Branch agencies, and who are directly supported by the General Fund. The fund does not support off-island travel expenses incurred by autonomous agencies. Disbursement of the fund is determined by the Governor.

Off-Island Treatment Fund - This fund was created by Public Law 20-220 to be administered by the Director of Administration. Monies from the Fund shall be expended upon order of the Superior Court of Guam to send a person under the jurisdiction of the court off-island for residential care arising from a physical, mental or emotional handicap or a severe emotional disturbance. Monies shall be expended for diagnosis, evaluation and treatment fees, medical and incidental expenses, room and board and transportation costs.

Overtime Fund - This fund was created by Public Law 25-98 Section 23, for the purpose of paying for overtime expenses incurred within the Executive Branch agencies, and who are directly supported by the General Fund. The fund does not support overtime expenses incurred by the autonomous agencies. Disbursements of overtime fund is determined by the Governor.

Parks and Recreation Revolving Fund - This fund was created by Public Law 16-44 for the development, improvement and maintenance of the Guam Territorial Park System. Expenditures are authorized and made by appropriations from the Legislature.

Plant Nursery Revolving Fund - This fund was created by Executive Order 75-39 on September 3, 1975. Legislative authority for the fund is found under Section 6112(a) of the Government Code of Guam. The fund is created for the purchase and sale of seedlings and comes under the cognizance and jurisdiction of the Director of Agriculture. Original funding was provided by the General Fund under Public Law 13-27 and 13-37.

Plant Protection and Quarantine Revolving Fund - This fund was created to account for all fees collected under the Department of Agriculture's fee schedule for agricultural quarantine activities.

Police Services Fund - This fund was created by Public Law 24-23 for the purpose of funding the general operational needs of the Guam Police Department. Revenues are derived mainly from miscellaneous services and fees provided by the department.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Printing Revolving Fund - This fund is maintained to collect all monies received as payment for publications and publication services provided by the compiler of laws and to pay all costs associated with the printing and publishing of local laws. Funding was provided by local appropriation, however; when activities begin, funding will also be provided from publication charges.

Professional Engineers', Architects' and Surveyors' Fund - This fund was created to receive fees from licenses and license renewals and to use those funds to administer and enforce the laws relating to professional engineers, architects and land surveyors.

Program Development Fund - This fund was created by Public Law 18-20 in order to issue a Mortgage Revenue Bond. The issuance of the bond is under the responsibility of GEDCA. The proceeds are used to make loans to multi-family housing developers.

Public Auditor Fund - The Office of the Public Auditor was created by Public Law 21-122 as an instrumentality of GovGuam, independent of the executive, legislative and judicial branches.

Public Defender Service Corporation Fund - This fund was created by Public Law 13-51 to provide effective legal aid and assistance to those persons on Guam who are unable to afford counsel.

Public Library System - This fund accounts for the operations of all libraries in the Library System on Guam in accordance with the rules and regulations promulgated by the Library Board.

Public Service Recovery Fund - This fund was created by Executive Order 98-12 to expend funds for the following purposes: 1) for equipment related directly to public service; 2) for contracts directly related to public service; 3) for facilities and infrastructure repair, improvement and development that are for the public's use and benefit, whether or not a facility or infrastructure repair is subject to user fees or rates; and 4) for reimbursement to autonomous agencies for costs incurred from fiscal year 1994 and thereafter.

Public Transit Fund - This fund was created by Public Law 26-76 under the authority of the Department of Administration to operate Guam's mass transit system.

Rabies Prevention Fund - This fund was created by Public Law 24-216 to maintain, enhance and secure the prevention of rabies on Guam. Revenues are derived from issuance of entry permits for any dog or cat imported into Guam.

Rainy Day Fund - This fund was created by Public Law 22-24 to reduce the accumulated General Fund deficit.

Safe Homes, Safe Streets Fund - This fund was created by Public Law 27-05 to account for 50% of proceeds received on alcoholic beverage excise taxes to be expended on public safety and social programs that enforce alcohol regulations, reduce underage drinking, support traffic safety, reduce drug-related violence and abuse, and/or support community-based drug and substance abuse prevention programs.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Safe Streets Fund - This fund was created by Public Law 22-41 within the Superior Court of Guam, which shall be maintained separate and apart from the other funds of the Superior Court. All fines collected for any of the acts made unlawful in §§18102, 18109, 18111, 18120, and 18121 of Title 16, Guam Code Annotated, as amended from time to time, and for which punishment is prescribed in §§18104, 18105, 18106, 18107, 18109, 18110, 18111, 18119, 18120 and 18121 of Title 16, Guam Code Annotated, as amended from time to time, shall be deposited in the Safe Streets Fund. So much of the Fund as is required is appropriated to the Department of Corrections to be used to compensate staff and provide supplies or facilities to house incarcerated persons convicted of misdemeanors and persons convicted of acts made unlawful in Article 1, Chapter 18 of Title 16, Guam Code Annotated. The Director of Corrections may expend not more than Eight Thousand Dollars (\$8,000) per month from the fund for the purpose outlined in Subsection (c) of this Section, which the Administrative Director of the Courts shall pay over to the Director of Corrections on a regular basis. Any funds in excess of the monthly payment to the Director of Corrections and all funds accumulated shall be disbursed in accordance with Subsection (c) of §9211 of Title 7, Guam Code Annotated.

Solid Waste Management Plan - This fund was created by Public Law 25-175 to be administered by the Guam Environmental Protection Agency to deal with solid waste management.

SW Medical Monitoring Fund - This fund was created by Public Law 24-181 for the purpose of monitoring people where solid waste management facilities exist, and compensating them by providing funding for community healthcare needs or community health care programs in villages as provided for the SWMF Health Monitoring and Compensation Act of 1998. A levy of one percent of all tipping fees is levied on any person operating a Solid Waste Management Facility and deposited in this fund.

Special Assets Forfeiture Fund - This fund was created by Public Law 26-120 to account for property that is forfeited under any local law enforced or administered by the Guam Police Department.

State Agency for Surplus Property Fund - This fund was created for the disposal of salvage and surplus personal property from GovGuam agencies and departments.

Stripperwell Overcharge Fund - This fund was created based on a federal court decision against Stripperwell. As with the Exxon Overcharge Fund, Guam was allocated a share of the settlement. Expenditures are limited to Federal Energy Programs. Revenues are from interest earned on this fund's interest bearing account. This fund is administered by the Guam Energy Office.

Superior Court Operations Fund - During 1984, the Superior Court of Guam was legally created as a separate special revenue fund. Funding is provided primarily through General Fund appropriations.

Supreme Court of Guam - The fund was created by Public Law 21-147 as an independent judicial branch of GovGuam. The Supreme Court of Guam was created to determine the appropriate procedures for reviewing decisions rendered by the Superior Court of Guam. Funding is provided primarily through Government of Guam General Fund appropriations.

Taguag Memorial Cemetery Fund - The Taguag Memorial Cemetery Fund was created through Executive Order 85-7. Revenues in this fund are comprised exclusively of cemetery plot fees. Funds are used to pay for the cost of opening and closing graves and general maintenance of the grounds.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Tax Collection Fund – This fund was created by Public Law 27-05. Fifty percent (50%) of the fund is earmarked for the purposes of employing tax technicians, revenue agents, revenue officers, and for other related expenses in order to increase collection of taxes and for the salaries of employees serving as Passport Acceptance Agents. The remaining fifty percent (50%) is to be deposited in the Public School Library Resources Fund.

Territorial Educational Facilities Fund (TEF) - TEF was created by Public Law 22-19 (as amended by Public Law 23-14) to account for all real property tax revenues received by or on behalf of GovGuam. These revenues are used for the debt service payments of the General Obligation Bonds, 1993 Series A and 1995 Series A.

Territorial Highway Fund - This fund was created for the purpose of obtaining proper maintenance and construction of highways and for the implementation of Highway Safety plans, programs and projects. Revenues are derived from Federal grants, certain liquid fuels taxes, vehicle registration fees and local appropriations.

Tiyan Trust Fund – This fund was created by Public Law 24-214 to set aside all net income derived from Tiyan into a trust fund to be administered for the benefit of the original owners of the Tiyan property and their descendants, since in this way, all of the original owners of Tiyan and their progeny can be fairly treated.

Tourist Attraction Fund - This fund was created to finance the improvement of the physical facilities of Guam's parks and recreation areas. Financing is provided by the imposition of an 11 percent tax on lodging provided to transients.

Typhoon Chata'an and Halong Fund – This fund was created by Public Law 26-116 to account for appropriations made by the Legislature to cover the emergency recovery needs of Guam resulting from Typhoons Chata'an and Halong.

Typhoon Paka Emergency Fund – This fund was created by Public Law 24-117 to respond to the emergency needs of the people of Guam in the wake of the devastation of Supertyphoon Paka. This act appropriated funds that were considered necessary to meet the emergency recovery needs of Guam resulting from Supertyphoon Paka, which struck the island on December 16, 1997.

UOG Capital Improvements Fund – This fund was created by Public Law 26-48 to account for the design, construction and collateral equipment of the College of Business and Public Administration, and for the replacement of the roof of the Fine Arts Building.

UOG Higher Education Endowment Fund - This fund was created by Public Law 24-174 to account for 15% of proceeds from the sale and securitization of the allocation under the Master Settlement Agreement to be expended for the enhancement of learning resources and technology at the University of Guam.

Veterans' Bonus Fund - This fund is maintained to pay benefits to Guam's veterans and Civil Scouts whose service was inadequately recognized. Funding is provided both from Government contributions and taxes imposed on greyhound racing. Revenue provided under this fund is appropriated under Public Law 20-196 to the University of Guam as an additional source of funding to prevent any proposed tuition increase.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Special Revenue Funds, Continued September 30, 2004

Village Streets Fund - This fund was created by Public Law 23-128. This Fund shall be used exclusively for the purpose of payment to vendors for village road planning, design, construction, reconstruction, improvement, repair and maintenance services, the acquisition of rights of way, or to service debt payments of revenue bonds which may be issued to fund the construction, repair and maintenance of secondary and tertiary roads.

Vocational Rehabilitation Revolving Fund - This fund was created by Executive Order 87-11 (E.O. 87-11) to be administered by the Department of Vocational Rehabilitation to pay the wages of Guam's severely disabled workers and other expenses necessary for their employment, such as workmen's compensation insurance. Revenues come from monies received from the sale of goods produced or service performed by severely disabled workers.

Water Protection Fund - This fund was created by Public Law 22-47 to provide funding for the administration and implementation and enforcement of the Water Pollution Control Act and regulations promulgated from said Act, for educational programs and grants for research and development, advertisement promotions, and inspections of facilities to prevent or minimize erosion that contributes to pollution of the waters.

Water Research and Development Fund - This fund was created by Public Law 22-47 to conduct water resource research which will contribute to the effective planning and management of Guam's underground and surface water, and to the development of programs which promote the best use of these resources.

Wildlife Conservation Fund - This fund was created to preserve, manage, enhance and protect the Government's wildlife resources and their environment. Revenues are derived principally from the sale of hunting, fishing and harvesting licenses, fees and permits.

Workmen's Compensation Fund - This fund was authorized to be created by Public Law 1-88. Section 37042 of the Government Code of Guam requires a fund sufficient to secure compensation payments under Title XXXIII of the Government Code in respect to employees of GovGuam, its agencies and instrumentalities, including any public corporation. Funds are disbursed upon the order of the Workers Compensation Commission, of which the Director of Labor is the Commissioner.

Youth Tobacco Education and Prevention Fund - This fund was created by Public Law 25-187 to account for 10% of proceeds from the sale and securitization of the allocation under the Master Settlement Agreement to be utilized by the Department of Mental Health and Substance Abuse, for youth compliance monitoring and tobacco and drug prevention and education programs.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Capital Project Funds

September 30, 2004

Capital projects funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. A brief discussion of GovGuam's nonmajor governmental funds - capital projects funds as of September 30, 2004, follows:

Limited Obligation Highway Improvement Bonds Fund – This fund is used to account for the construction of highway improvement projects from Limited Obligation Highway Improvement bond proceeds.

Limited Obligation Infrastructure Improvement Bonds Fund – This fund is used to account for the construction of capital improvement projects from Limited Obligation Infrastructure Improvement bond proceeds.

Water System Revenue Bond Fund – This fund is used to account for the repayment of certain debt, including the 1989 Water System Revenue Bonds, the debt of the Guam Memorial Hospital Authority, the voluntary service debt and for expanding and improving the existing water system of GovGuam operated by the Public Utility Agency of Guam, now the Guam Waterworks Authority.

PUAG Capital Projects Fund– This fund is used to account for expanding and improving the existing water system of GovGuam operated by the Public Utility Agency of Guam, now the Guam Waterworks Authority.

General Obligation Bond Series A 1993 Fund – This fund is used to account for the construction of new or renovated educational facilities from General Obligation Bond Series A 1993 bond proceeds.

Judicial Building Fund – This fund is used to account for the construction of miscellaneous capital improvements of the Superior Court of Guam and to redeem loan principal and to pay loan interest as such becomes due.

See Accompanying Independent Auditors' Report.



## GOVERNMENT OF GUAM

### Nonmajor Governmental Funds - Debt Service Funds

September 30, 2004

Debt service funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources when the government is obligated in some manner for the payment. A brief discussion of GovGuam's nonmajor governmental funds - debt service funds as of September 30, 2004, follows:

Limited Obligation Highway Improvement Bonds Fund – This fund is used to account for funds required by the Limited Obligation Highway Improvement bond indenture to redeem bond principal and to pay bond interest as such becomes due.

Limited Obligation Infrastructure Improvement Bonds Fund – This fund is used to account for funds required by the Limited Obligation Infrastructure Improvement bond indenture to redeem bond principal and to pay bond interest as such becomes due.

Water System Revenue Bond Fund – This fund is used to account for funds required by the Limited Obligation (Section 30) Bond Series A 2001 bond indenture to redeem bond principal and to pay bond interest as such becomes due.

General Obligation Bond Series A 1993 Fund – This fund is used to account for funds required by the General Obligation Bond Series A 1993 bond indenture to redeem bond principal and to pay bond interest as such becomes due.

General Obligation Bond Series A 1994 Fund – This fund is used to account for funds required by the General Obligation Bond Series A 1994 bond indenture to redeem bond principal and to pay bond interest as such becomes due.

General Obligation Bond Series A 1995 Fund – This fund is used to account for funds required by the General Obligation Bond Series A 1995 bond indenture to redeem bond principal and to pay bond interest as such becomes due.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Component Units September 30, 2004

Component units are legally separate organizations for which the elected officials of GovGuam are financially accountable. Nonmajor component units are defined as those component units whose activities are not significant or material to that of the primary government or to all component units as a whole. Proprietary funds are used to account for a government's ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business and quasi - business activities - where net income and capital maintenance are measured - are accounted for through proprietary funds. The generally accepted accounting principles here are generally those applicable to similar businesses in the private sector: the measurement focus is on determination of the change in net assets, financial position and cash flows. A brief discussion of GovGuam's nonmajor component units as of September 30, 2004, follows:

Guam Community College (GCC) - GCC was created by the enactment of Public Law 14-77, "The Community College Act of 1977," which became effective on November 11, 1977. Administration and operation of GCC is under the control of a nine-member Board of Trustees appointed by the Governor of Guam with the advice and consent of the Guam Legislature. Two of the nine members have no voting and participation rights as they represent the faculty and staff union.

Guam Housing and Urban Renewal Authority (GHURA) - GHURA was created by Government Code, Vol. II, Title XIV, Chapter X, 13902. GHURA's purpose is to promote the health, safety and welfare of the people of Guam by eliminating slum and blight conditions, by the orderly redevelopment and renewal of communities, by proper planning of community development and by provision of safe, decent and sanitary dwellings for low-income families, through all available Federal and local governmental programs. The Board of Commissioners of GHURA are appointed by the Governor of Guam with the advice and consent of the Guam Legislature. Revenues are derived from Federal financial assistance and rentals or charges for dwelling accommodations.

Guam Housing Corporation (GHC) - GHC was organized under the authority of Public Law 8-80 to promote the general welfare of GovGuam by encouraging investment in and development of low-cost housing. GHC provides for its operating needs by charging points on its low cost loans. Interest rates are determined by its Board of Directors.

Port Authority of Guam (PAG) - PAG was created in 1975 as a public corporation under Public Law 13-87. PAG is entrusted with providing for the needs of ocean commerce, shipping and navigation and derives its operating revenues from a tariff establishing fees for wharfage and use of its facilities.

Guam Economic Development and Commerce Authority (GEDCA) - GEDCA was created to assist in the implementation of an integrated program for the economic development of Guam. Enabling legislation set forth several specific purposes for the establishment of GEDCA to include:

- a) Aiding private enterprise without competing with it;
- b) Expansion of the money supply to finance housing facilities; and
- c) Providing the means necessary for acquisition of hospital facilities.

To accomplish the stated purposes, GEDCA is authorized to conduct research, invest in, provide loans, operate and provide technical assistance to industries and/or agricultural projects; issue revenue bonds; obtain GovGuam land; purchase mortgages; and recommend to the Governor of Guam businesses qualifying for tax rebates and abatements. GEDCA utilizes various Trust Funds to accomplish its stated purposes.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

### Nonmajor Component Units, Continued September 30, 2004

Guam Visitors Bureau (GVB) - GVB is a public corporation created for the purpose of promoting the visitor industry in Guam. Funding is provided from transfers of appropriations from the Tourist Attraction Fund and interest income.

Guam Educational Telecommunications Corporation (GETC) - GETC, also known as KGTF-TV, was created as a public corporation by Public Law 12-194, as approved on January 2, 1975. The law sets forth the purpose of the Corporation to present educational television to the people of Guam and involve the people of Guam in its activities to the maximum extent possible. Funding is primarily derived from appropriations from the General Fund, community service grants and contributions from the public.

See Accompanying Independent Auditors' Report.

## GOVERNMENT OF GUAM

Fiduciary Funds  
September 30, 2004

Fiduciary funds are used to account for assets held by GovGuam in a fiduciary capacity. A brief description of each fund follows.

### Pension Trust Fund

Government of Guam Retirement Fund - Public Law 1-88 and Public Law 9-251 (Section 4201 of the Government Code of Guam) created the Retirement Fund to provide retirement annuities and other benefits to employees of the Government who became aged or incapacitated or to dependents or survivors of these employees. The Retirement Fund is administered by a Board of Trustees who bear responsibility for the direction and operation of the affairs and business of the retirement system.

### Private Purpose Trust Funds

Superior Court Trust Funds - The Superior Court is responsible for maintaining five trust funds which were primarily created through judicial decree. These Trusts are:

- Land Condemnation Fund - an escrow account for governmental land acquisitions.
- Guardianship Fund - to account for the financial affairs of individuals for whom the Court has been petitioned to act as a guardian.
- Trust Fund - to account for judgments compelling individuals to award payments arising from various civil and criminal cases.
- Traffic Court - to account for deposits made by accused traffic offenders who are contesting charges against them.
- Jury Fund - to account for funds awarded and to be awarded to citizens who serve on juries. Funding is derived from local appropriations.

Supreme Court Trust Fund - This fund was created to hold the assets in conjunction with an embezzlement judgment brought against a local attorney and to pay valid claims in accordance with any rulings.

### Agency Fund

Agency funds are normally used to account for assets held by a government as an agent for individuals, private organizations or other governments and/or other funds. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations.

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	271	202	236	309	265	262	266	282	411
	1999 SPG Revolving	Abandoned Vehicle and Streetlight	Accessible Parking	Agana Fractional Lots Program	Air Pollution Control	Autonomous Agency Infrastructure Collections	Board of Accountancy	Carrier Off-duty Services Revolving	Chamorro Commercial Loan
<b>ASSETS</b>									
Cash and cash equivalents	\$ 94,092	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	-	-	90,169	-	-	-	-	-
Due from other funds	-	34,007	5,566	126,426	651,649	460	957,603	87,181	-
Inventories	-	-	-	-	-	-	-	-	-
Deposits and other assets	84,990	-	-	585	-	-	-	-	-
Total assets	\$ 179,082	\$ 34,007	\$ 5,566	\$ 217,180	\$ 651,649	\$ 460	\$ 957,603	\$ 87,181	\$ -
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accounts payable	-	171,067	-	-	-	-	-	-	-
Accrued payroll and other	-	-	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-	26,226	14,474
Due to other funds	175,591	-	-	-	-	-	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	420,349
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	\$ 175,591	\$ 171,067	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,226	\$ 434,823
Fund balances (deficit):									
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	-	-	-	-	25,045	-	385,850	-	91,033
Continuing appropriations	-	-	-	-	449,137	-	571,253	-	-
Unreserved (deficit)	3,491	(137,060)	5,566	217,180	177,467	460	500	60,955	(525,856)
Total fund balances (deficit)	\$ 3,491	\$ (137,060)	\$ 5,566	\$ 217,180	\$ 651,649	\$ 460	\$ 957,603	\$ 60,955	\$ (434,823)
Total liabilities and fund balances (deficit)	\$ 179,082	\$ 34,007	\$ 5,566	\$ 217,180	\$ 651,649	\$ 460	\$ 957,603	\$ 87,181	\$ -

(continued)

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	220	319	105	250	213	272	325	209	267
	Chamorro Language Commission	Community Development	Community Health Centers	Consumer Protection	Contractors' License Board	Controlled Substance Diversion	Criminal Injuries	Customs, Agriculture and Quarantine Inspection Services	Dededo Buffer Strip Revolving
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 584,242	\$ -
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	647,772	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Due from other funds	-	-	-	135	149,142	95,879	116,110	1,682,541	-
Inventories	2,936	-	-	-	-	-	-	-	138,766
Deposits and other assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<u>\$ 2,936</u>	<u>\$ -</u>	<u>\$ 647,772</u>	<u>\$ 135</u>	<u>\$ 149,142</u>	<u>\$ 95,879</u>	<u>\$ 116,110</u>	<u>\$ 2,266,783</u>	<u>\$ 138,766</u>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 169	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-	-	-
Accrued payroll and other	-	-	-	-	-	-	-	-	-
Due to component units	-	-	16,553	-	6,299	-	-	214,093	-
Due to other funds	-	-	-	-	-	-	-	-	-
Payable to federal agencies	-	-	900,911	-	-	-	-	1,587,329	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-
<b>Total liabilities</b>	<u>2,936</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,886</u>	<u>36,829</u>	<u>-</u>
<b>Fund balances (deficit):</b>	<u>2,936</u>	<u>-</u>	<u>917,464</u>	<u>-</u>	<u>6,299</u>	<u>-</u>	<u>66,055</u>	<u>1,838,251</u>	<u>-</u>
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	-	800	283,358	-	12,939	1,800	-	619,609	7,400
Continuing appropriations	-	-	516,766	-	-	74,700	10,136	740,339	30,099
Unreserved (deficit)	-	(800)	(1,069,816)	135	129,904	19,379	39,919	(931,416)	101,267
<b>Total fund balances (deficit)</b>	<u>-</u>	<u>-</u>	<u>(269,692)</u>	<u>135</u>	<u>142,843</u>	<u>95,879</u>	<u>50,055</u>	<u>428,532</u>	<u>138,766</u>
<b>Total liabilities and fund balances (deficit)</b>	<u>\$ 2,936</u>	<u>\$ -</u>	<u>\$ 647,772</u>	<u>\$ 135</u>	<u>\$ 149,142</u>	<u>\$ 95,879</u>	<u>\$ 116,110</u>	<u>\$ 2,266,783</u>	<u>\$ 138,766</u>

(continued)

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	214	106	235	246	281	600	104	243	312
	DOC Inmates Revolving	D.O.D. Contract	DPW Building and Design	Drivers' Education	Enhanced 911 Emergency Reporting System	Environmental Health	Exxon Fuel Overcharge	Farmers' and Fishermen's Loan Revolving	Farmers Small Loan Revolving
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ 112,591	\$ -	\$ -	\$ -	\$ -	\$ 213,011	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	236,169	-	85,144	-	-	-	-	-	-
Due from other funds	402,246	290,771	1,064,192	259,942	1,643,636	947,987	78,856	104,683	12,392
Inventories	-	-	-	-	-	-	572,050	21,248	4,490
Deposits and other assets	-	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 638,415</b>	<b>\$ 403,362</b>	<b>\$ 1,149,336</b>	<b>\$ 259,942</b>	<b>\$ 1,643,636</b>	<b>\$ 947,987</b>	<b>\$ 863,917</b>	<b>\$ 125,931</b>	<b>\$ 16,882</b>
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-	-	-
Accrued payroll and other	-	-	-	-	-	-	-	-	-
Due to component units	2,463	-	-	-	27,479	4,647	-	-	221
Due to other funds	-	-	-	-	-	-	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	248	-	-	-	-	-	-	-
Deposits and other liabilities	-	403,107	-	-	-	-	-	-	-
<b>Total liabilities</b>	<b>2,463</b>	<b>403,355</b>	-	-	<b>27,479</b>	<b>4,647</b>	-	-	<b>221</b>
<b>Fund balances (deficit):</b>									
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	201,782	-	-	-	42,637	-	-	104,683	12,392
Continuing appropriations	308,994	-	-	-	(709)	-	18,131	-	-
Unreserved (deficit)	125,176	7	1,149,336	259,942	1,574,229	447,568	-	-	-
<b>Total fund balances (deficit)</b>	<b>635,952</b>	<b>7</b>	<b>1,149,336</b>	<b>259,942</b>	<b>1,616,157</b>	<b>495,772</b>	<b>845,786</b>	<b>21,248</b>	<b>4,269</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 638,415</b>	<b>\$ 403,362</b>	<b>\$ 1,149,336</b>	<b>\$ 259,942</b>	<b>\$ 1,643,636</b>	<b>\$ 947,987</b>	<b>\$ 863,917</b>	<b>\$ 125,931</b>	<b>\$ 16,661</b>
									<b>16,882</b>

(continued)

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Special Revenue Funds Combining Balance Sheet September 30, 2004

AS/400 Fund Number	299	277	229	404	239	237	406	307	248
	Financial Management Revolving	Firefighter Equipment Replacement	General Services Agency	GSA Inventory Revolving	Government Claims	Government House Revolving	Group Life Insurance	Guam Based Trust	Guam Beautification
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,531	\$ 91,743	\$ 106,111	\$ -
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	99	-	-	-
Due from other funds	134,239	257,618	4,577	3,395,450	124,659	10,252	373,393	-	50,729
Inventories	-	-	-	430,957	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 134,239	\$ 257,618	\$ 4,577	\$ 3,826,407	\$ 124,659	\$ 11,882	\$ 465,136	\$ 106,111	\$ 50,729
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	-	-	-	-
Accrued payroll and other	2,134	-	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	104,216	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	-	3,844	-	-	465,000	-	-
Fund balances (deficit):	2,134	-	-	3,844	-	-	465,000	104,216	-
Reserved for:									
Related assets	-	-	-	430,957	-	-	-	-	-
Encumbrances	12,179	299,173	1,174	1,836,853	-	4,565	-	-	-
Continuing appropriations	31,857	7,444	3,403	-	-	7,317	-	-	-
Unreserved (deficit)	88,069	(48,999)	-	1,554,753	124,659	-	136	1,895	50,729
Total fund balances (deficit)	132,105	257,618	4,577	3,822,563	124,659	11,882	136	1,895	50,729
Total liabilities and fund balances (deficit)	\$ 134,239	\$ 257,618	\$ 4,577	\$ 3,826,407	\$ 124,659	\$ 11,882	\$ 465,136	\$ 106,111	\$ 50,729

(continued)



**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	245	295	234	244	608	326	270	602	
	GDOE Federal Grants	Guam Environmental Trust	GFD Lease-to- Purchase Program	Guam Housing Corporation Revolving	Guam Museum	Guam Plant Inspection and Permit	Guam Preservation Trust	Health and Human Services	Healthy Futures
<b>ASSETS</b>									
Cash and cash equivalents	\$ 5,595,885	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 184,267	\$ 1,663,306	\$ 722,654
Investments	-	-	-	-	-	-	-	1,160,000	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	3,425,490	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	1,327,554	-	-
Due from other funds	-	577,304	600,000	88,777	-	49,300	1,363,122	-	1,715,033
Inventories	-	-	-	-	-	-	-	-	-
Deposits and other assets	112,748	-	-	-	-	-	100,706	-	-
Total assets	\$ 9,134,123	\$ 577,304	\$ 600,000	\$ 88,777	\$ -	\$ 49,300	\$ 2,975,649	\$ 2,823,306	\$ 2,437,687
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-	\$ -	-
Accounts payable	302,488	-	-	-	-	-	15,634	-	-
Accrued payroll and other	875,702	-	-	-	-	-	-	-	123,106
Due to component units	-	-	-	-	-	-	-	-	-
Due to other funds	6,150,970	-	-	-	-	-	-	220,730	-
Payable to federal agencies	1,424,784	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	8,753,944	-	-	-	-	-	15,634	220,730	123,106
Fund balances (deficit):									
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	9,994,042	22,054	-	-	-	-	-	-	115,612
Continuing appropriations	-	497,901	600,000	-	-	-	4,500	75,000	-
Unreserved (deficit)	(9,613,863)	57,349	-	88,777	-	49,300	2,955,515	2,527,576	2,198,969
Total fund balances (deficit)	380,179	577,304	600,000	88,777	-	49,300	2,960,015	2,602,576	2,314,581
Total liabilities and fund balances (deficit)	\$ 9,134,123	\$ 577,304	\$ 600,000	\$ 88,777	\$ -	\$ 49,300	\$ 2,975,649	\$ 2,823,306	\$ 2,437,687
									(continued)

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	241	311	201	298	301	303	321	216	313
	Health Professional Licensure	Health and Security Trust	Housing Revolving	Human Resources Revolving	Income Tax Rebate	Income Tax Refund Reserve	Income Tax Efficiency Payment	Individuals w/ Disabilities Disaster Recovery	Inmates Work Release
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ 268,777	\$ -	\$ -	\$ -	\$ 3,017,662	\$ 1,001,488	\$ -	\$ -
Investments	-	5,800,000	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	-	304,820	-	-	-	-	-	-
Due from other funds	52,481	-	749,109	18,533	622,938	2,174,602	-	100,000	11,890
Inventories	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 52,481	\$ 6,068,777	\$ 1,053,929	\$ 18,533	\$ 622,938	\$ 5,192,264	\$ 1,001,488	\$ 100,000	\$ 1,967
									\$ 13,857
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	622,938	-	-	-	13,857
Accrued payroll and other	-	-	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	1,001,488	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	5,192,264	-	-	-
Deposits and other liabilities	-	-	10,462	-	-	-	-	-	-
Total liabilities	-	-	10,462	-	622,938	5,192,264	1,001,488	-	13,857
Fund balances (deficit):									
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	22,419	-	-	2,171	-	-	-	-	-
Continuing appropriations	127,322	-	-	7,608	-	-	-	-	-
Unreserved (deficit)	(97,260)	6,068,777	1,043,467	8,754	-	-	-	100,000	-
Total fund balances (deficit)	52,481	6,068,777	1,043,467	18,533	-	-	-	100,000	-
Total liabilities and fund balances (deficit)	\$ 52,481	\$ 6,068,777	\$ 1,053,929	\$ 18,533	\$ 622,938	\$ 5,192,264	\$ 1,001,488	\$ 100,000	\$ 13,857

(continued)

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	210	222	223	287	232	293	294	261	
	Land for the Landless	Land Survey Revolving	Legislature Operations	Litter Control Revolving	Livestock	Manpower Development	Medically Indigent Program Payment Revolving	Mental Health and Substance Abuse	Notary Public Revolving
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	1,867,251	\$ -	\$ -	42,564	\$ -	\$ -	-
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	-	4,157	-	-	-	-	-	-
Due from other funds	70,356	1,008,928	-	3,280	4,351	366,977	13,626,305	-	-
Inventories	-	-	-	-	-	-	-	-	15,211
Deposits and other assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 70,356	\$ 1,008,928	\$ 1,871,408	\$ 3,280	\$ 4,351	\$ 409,541	\$ 13,626,305	\$ -	\$ 15,211
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accounts payable	-	-	46,115	-	-	-	10,077,616	-	-
Accrued payroll and other	-	2,307	-	-	-	-	3,548,689	-	-
Due to component units	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	30,550	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	199,761	-	-	217,437	-	-	-
Fund balances (deficit):	-	2,307	245,876	-	-	247,987	13,626,305	-	-
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	-	85,350	-	-	-	3,326	-	124,371	-
Continuing appropriations	-	379,291	-	24,678	3,661	28,463	-	466,470	-
Unreserved (deficit)	70,356	541,980	1,625,532	(21,398)	690	129,765	-	(590,841)	15,211
Total fund balances (deficit)	70,356	1,006,621	1,625,532	3,280	4,351	161,554	-	-	15,211
Total liabilities and fund balances (deficit)	\$ 70,356	\$ 1,008,928	\$ 1,871,408	\$ 3,280	\$ 4,351	\$ 409,541	\$ 13,626,305	\$ -	\$ 15,211
(continued)									

(continued)

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Special Revenue Funds Combining Balance Sheet September 30, 2004

AS/400 Fund Number	316	278	329	212/225	211	504	263	221	215
	Off-Island Sports	Off-Island Sports Travel	Off-Island Treatment	Parks and Recreation Revolving	Plant Nursery Revolving	Plant Protection and Quarantine Revolving	Police Services	Printing Revolving	Professional Engineers', Architects' and Surveyors'
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Due from other funds	500	20,560	154,011	81,124	-	-	86,892	11,682	50,443
Inventories	-	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 500	\$ 20,560	\$ 154,011	\$ 81,124	\$ -	\$ -	\$ 86,892	\$ 11,682	\$ 50,443
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Accounts payable	-	-	-	-	-	-	-	-	-
Accrued payroll and other	-	-	-	-	-	-	-	-	-
Due to component units	-	-	-	-	-	-	9,128	-	2,711
Due to other funds	-	-	-	-	8,177	3,388	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	152,661	-	-	-	-	-	-
Total liabilities	-	-	152,661	-	8,177	3,388	9,128	-	2,711
Fund balances (deficit):									
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	-	-	-	10,955	2,478	765	-	-	-
Continuing appropriations	-	-	-	-	6,499	15,503	10,549	-	5,740
Unreserved (deficit)	500	20,560	1,350	70,169	(17,154)	(19,656)	67,215	11,682	41,992
Total fund balances (deficit)	500	20,560	1,350	81,124	(8,177)	(3,388)	77,764	11,682	47,732
Total liabilities and fund balances (deficit)	\$ 500	\$ 20,560	\$ 154,011	\$ 81,124	\$ -	\$ -	\$ 86,892	\$ 11,682	\$ 50,443

(continued)

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	238	604	269	317	285	601	217		
	Program Development	Public Auditor	Public Defender Service Corporation	Public Library System	Public Service Recovery	Public Transit	Rabies Prevention	Safe Homes, Safe Streets	Safe Streets
<b>ASSETS</b>									
Cash and cash equivalents	\$ 81,315	\$ 305,302	\$ 648,010	\$ -	\$ -	\$ -	\$ -	\$ 356,305	\$ -
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	12,445	-	-	-	-
Due from other funds	-	-	-	385,870	-	772,343	100,790	657,494	-
Inventories	-	-	-	-	-	77,559	-	-	303,839
Deposits and other assets	-	5,835	-	-	-	-	-	-	-
Total assets	\$ 81,315	\$ 311,137	\$ 648,010	\$ 385,870	\$ 12,445	\$ 849,902	\$ 100,790	\$ 1,013,799	\$ 303,839
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	7,901	13,581	-	-	-	-	-	-
Accrued payroll and other	3,000	27,744	85,426	-	-	364,843	-	-	-
Due to component units	-	-	-	-	-	-	-	-	-
Due to other funds	84,068	-	-	-	382	-	-	-	-
Payable to federal agencies	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	10,673	-	-	-	-	-	-
Total liabilities	87,068	35,645	109,680	-	382	364,843	-	-	-
Fund balances (deficit):									
Reserved for:									
Related assets	-	-	-	-	-	-	-	-	-
Encumbrances	-	-	43,783	-	-	-	1,843	107,658	200
Continuing appropriations	-	-	-	-	-	-	11,542	807,936	118,365
Unreserved (deficit)	(5,753)	275,492	494,547	385,870	12,063	485,059	87,405	98,205	185,274
Total fund balances (deficit)	(5,753)	275,492	538,330	385,870	12,063	485,059	100,790	1,013,799	303,839
Total liabilities and fund balances (deficit)	\$ 81,315	\$ 311,137	\$ 648,010	\$ 385,870	\$ 12,445	\$ 849,902	\$ 100,790	\$ 1,013,799	\$ 303,839
									(continued)

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	284	275	605	314	103	607	327		
	Solid Waste Management Plan	SW Medical Monitoring	Special Assets Forfeiture	State Agency for Surplus Property	StripperWell Overcharge	Superior Court Operations	Supreme Court of Guam	Supplemental Annuity Benefits	Taguag Memorial Cemetery
<b>ASSETS</b>									
Cash and cash equivalents	\$ -	\$ 125,001	\$ -	\$ 313,369	\$ 509,239	\$ 2,451,151	\$ 425,317	\$ -	\$ -
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	-	-	-	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	-	-	18,710	44,983	320,303	-	-	-
Due from other funds	58,075	-	680,149	-	19,450	2,383,791	90,790	605,555	31,686
Inventories	-	-	-	74,887	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	46,456	-	-	-
Total assets	\$ 58,075	\$ 125,001	\$ 680,149	\$ 406,966	\$ 573,672	\$ 5,201,701	\$ 516,107	\$ 605,555	\$ 31,686
<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397,317	\$ -	\$ -	\$ -
Accounts payable	-	-	-	-	-	984,171	-	-	-
Accrued payroll and other	-	-	889	-	-	723,020	-	-	-
Due to component units	-	-	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-
Payable to federal agencies	-	-	-	133,189	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	-	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	-	-	889	133,189	-	2,104,508	-	-	-
Fund balances (deficit):									
Reserved for:									
Related assets	-	-	-	74,887	-	-	-	-	-
Encumbrances	9,888	-	900	-	111,939	-	-	-	-
Continuing appropriations	11,427	-	20,601	-	-	-	-	-	-
Unreserved (deficit)	36,760	125,001	657,759	198,890	461,733	3,097,193	516,107	605,555	31,686
Total fund balances (deficit)	58,075	125,001	679,260	273,777	573,672	3,097,193	516,107	605,555	31,686
Total liabilities and fund balances (deficit)	\$ 58,075	\$ 125,001	\$ 680,149	\$ 406,966	\$ 573,672	\$ 5,201,701	\$ 516,107	\$ 605,555	\$ 31,686
									(continued)

(continued)

**GOVERNMENT OF GUAM**

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Balance Sheet  
September 30, 2004

AS/400 Fund Number	603	205	208	206	501	297	207	247	
	Tax Collection	Territorial Educational Facilities	Territorial Highway	Tourist Attraction	Typhoon Chataan & Halong	University of Guam Capital Improvements	UOG Higher Education Endowment	Veterans' Bonus	Village Streets
ASSETS									
Cash and cash equivalents	\$ -	\$ 148,884	\$ 16,248	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 162,916
Investments	-	-	-	-	-	-	-	-	-
Receivables, net:									
Taxes	-	46,556	1,141,833	1,449,777	-	-	-	-	-
Federal agencies	-	-	-	-	-	-	-	-	-
Other	-	243,219	-	-	-	-	-	-	-
Due from other funds	-	-	8,878,701	-	-	-	-	-	-
Inventories	537,523	-	-	-	-	-	-	-	-
Deposits and other assets	-	-	-	-	-	-	-	-	-
Total assets	\$ 537,523	\$ 438,659	\$ 10,036,782	\$ 1,449,777	\$ -	\$ -	\$ -	\$ -	\$ 162,916
LIABILITIES AND FUND BALANCES (DEFICIT)									
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts payable	-	-	16,566	10,413	-	-	-	-	-
Accrued payroll and other	10,959	-	2,788,881	-	-	-	-	-	-
Due to component units	-	-	10,124,204	-	1,489	-	-	-	204
Due to other funds	-	81,375	-	13,399,469	-	-	-	-	61,590
Payable to federal agencies	-	-	-	-	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-	-	-
Provision for tax refunds	-	-	8,626,245	-	-	-	-	-	-
Deposits and other liabilities	-	-	-	-	-	-	-	-	-
Total liabilities	10,959	81,375	21,555,896	13,409,882	1,489	-	-	-	61,794
Fund balances (deficit):									
Reserved for:									
Related assets	-	14,237	-	-	-	-	-	-	-
Encumbrances	172	-	586,071	62,398	9,076	-	-	-	27,412
Continuing appropriations	-	-	637,330	99,751	431,702	-	-	-	2,325,735
Unreserved (deficit)	526,392	343,047	(12,742,515)	(12,122,254)	(442,267)	-	-	-	(2,252,025)
Total fund balances (deficit)	526,564	357,284	(11,519,114)	(11,960,105)	(1,489)	-	-	-	101,122
Total liabilities and fund balances (deficit)	\$ 537,523	\$ 438,659	\$ 10,036,782	\$ 1,449,777	\$ -	\$ -	\$ -	\$ -	\$ 162,916
									(continued)

(continued)

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Special Revenue Funds Combining Balance Sheet September 30, 2004

AS/400 Fund Number	283	300	203	310	276	
	Water Protection	Water Research and Development	Wildlife Conservation	Workman's Compensation	Youth Tobacco Education and Prevention	Total
ASSETS						
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 801,182	\$ 21,911,414
Investments	-	-	-	-	1,160,000	8,120,000
Receivables, net:						
Taxes	-	-	-	-	-	2,638,166
Federal agencies	-	-	-	-	-	4,073,262
Other	-	-	-	-	-	4,566,244
Due from other funds	149,575	366,412	205,179	-	-	51,774,270
Inventories	-	-	-	-	-	583,403
Deposits and other assets	-	-	-	-	-	353,287
Total assets	\$ 149,575	\$ 366,412	\$ 205,179	\$ -	\$ 1,961,182	\$ 94,020,046

<b>LIABILITIES AND FUND BALANCES (DEFICIT)</b>						
Bank overdraft	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 397,486
Accounts payable	-	-	-	-	-	12,282,568
Accrued payroll and other	-	-	-	-	-	8,882,466
Due to component units	-	-	-	-	-	10,124,204
Due to other funds	-	-	-	-	130,661	24,463,883
Payable to federal agencies	-	-	-	-	-	1,424,784
Deferred revenue	-	-	-	-	-	30,550
Provision for tax refunds	-	-	-	-	-	13,818,757
Deposits and other liabilities	-	-	-	-	-	1,568,596
Total liabilities	-	-	-	-	-	72,993,294
Fund balances (deficit):						
Reserved for:						
Related assets	-	-	-	-	-	637,156
Encumbrances	107	80,674	7,606	-	-	15,283,338
Continuing appropriations	22,705	-	4,602	-	-	9,937,445
Unreserved (deficit)	126,763	285,738	192,971	-	1,830,521	(4,831,187)
Total fund balances (deficit)	149,575	366,412	205,179	-	1,830,521	21,026,752
Total liabilities and fund balances (deficit)	\$ 149,575	\$ 366,412	\$ 205,179	\$ -	\$ 1,961,182	\$ 94,020,046



GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	271	202	236	309	265	262	266	282	411
	1999 SPG Revolving	Abandoned Vehicle and Streetlight	Accessible Parking	Agana Fractional Lots Program	Air Pollution Control	Autonomous Agency Infrastructure Collections	Board of Accountancy	Carrier Off-duty Services Revolving	Chamorro Commercial Loan
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	3,128,163	-	-	249,994	-	304,375	349,708	11,484
Use of money and property	267	-	-	-	-	-	-	-	4,824
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	267	3,128,163	-	-	249,994	-	304,375	349,708	16,308
Expenditures by Function:									
General government	-	-	-	-	-	-	700,180	323,051	-
Protection of life and property	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-
Community services	-	2,293,631	-	-	-	-	-	-	451,131
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	339,640	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	60,632	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	-	2,293,631	-	339,640	60,632	-	700,180	323,051	451,131
Excess (deficiency) of revenues over (under) expenditures	267	834,532	-	(339,640)	189,362	-	(395,805)	26,657	(434,823)
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	267	834,532	-	(339,640)	189,362	-	(395,805)	26,657	(434,823)
Fund balances (deficits) at beginning of year	3,224	(971,592)	5,566	556,820	462,287	460	1,353,408	34,298	-
Fund balances (deficits) at end of year	\$ 3,491	\$ (137,060)	\$ 5,566	\$ 217,180	\$ 651,649	\$ 460	\$ 957,603	\$ 60,955	\$ (434,823)

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	220	319	105	250	213	272	325	209	267
	Chamorro Language Commission	Community Development	Community Health Centers	Consumer Protection	Contractors' License Board	Controlled Substance Diversion	Criminal Injuries	Customs, Agriculture and Quarantine Inspection Services	Dededo Buffer Strip Revolving
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	573,186	-	300,101	101,925	-	8,369,859	-
Use of money and property	-	-	-	-	-	-	-	2,579	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	19,471	-	-
Total revenues	-	-	573,186	-	300,101	101,925	19,471	8,372,438	8,591
Expenditures by Function:									
General government	-	-	-	-	-	-	-	-	640
Protection of life and property	-	-	-	-	-	6,046	-	7,943,906	-
Public health	-	-	842,878	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	230,316	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	842,878	-	230,316	6,046	-	7,943,906	640
Excess (deficiency) of revenues over (under) expenditures	-	-	(269,692)	-	69,785	95,879	19,471	428,532	7,951
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	-	-	(269,692)	-	69,785	95,879	19,471	428,532	7,951
Fund balances (deficits) at beginning of year	-	-	-	135	73,058	-	30,584	-	130,815
Fund balances (deficits) at end of year	\$ -	\$ -	(269,692)	135	142,843	95,879	50,055	428,532	138,766

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	214	106	235	246	281	600	104	243	312
	DOC Inmates Revolving	D.O.D. Contract	DPW Building and Design	Drivers' Education	Enhanced 911 Emergency Reporting System	Environmental Health	Exxon Fuel Overcharge	Farmers' and Fishermen's Loan Revolving	Farmers Small Loan Revolving
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	1,663,281	-	376,791	32,189	872,614	375,078	-	-	-
Use of money and property	-	7	-	-	-	-	1,142	-	35
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	<u>1,663,281</u>	<u>7</u>	<u>376,791</u>	<u>32,189</u>	<u>872,614</u>	<u>375,078</u>	<u>1,142</u>	<u>-</u>	<u>35</u>
Expenditures by Function:									
General government	-	-	-	-	-	-	-	-	-
Protection of life and property	1,180,611	-	-	-	1,048,755	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	38,432	-	-	-
Economic development	-	-	-	-	-	-	45,699	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	<u>1,180,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,048,755</u>	<u>38,432</u>	<u>45,699</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>482,670</u>	<u>7</u>	<u>376,791</u>	<u>32,189</u>	<u>(176,141)</u>	<u>336,646</u>	<u>(44,557)</u>	<u>-</u>	<u>35</u>
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	<u>482,670</u>	<u>7</u>	<u>376,791</u>	<u>32,189</u>	<u>(176,141)</u>	<u>336,646</u>	<u>(44,557)</u>	<u>-</u>	<u>35</u>
Fund balances (deficits) at beginning of year	<u>153,282</u>	<u>-</u>	<u>772,545</u>	<u>227,753</u>	<u>1,792,298</u>	<u>606,694</u>	<u>908,474</u>	<u>125,931</u>	<u>16,626</u>
Fund balances (deficits) at end of year	<u>\$ 635,952</u>	<u>\$ 7</u>	<u>\$ 1,149,336</u>	<u>\$ 259,942</u>	<u>\$ 1,616,157</u>	<u>\$ 943,340</u>	<u>\$ 863,917</u>	<u>\$ 125,931</u>	<u>\$ 16,661</u>

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	299	277	229	404	239	237	406	307	248
	Financial Management Revolving	Firefighter Equipment Replacement	General Services Agency	GSA Inventory Revolving	Government Claims	Government House Revolving	Group Life Insurance	Guam Based Trust	Guam Beautification
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	1,847,859	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	136	150	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	112,019	-	-	-	-	-	-	-	-
Total revenues	112,019	-	-	1,847,859	-	-	136	150	-
Expenditures by Function:									
General government	118,361	-	12,346	1,319,257	-	-	-	-	-
Protection of life and property	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	100,863	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	56,050	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	118,361	56,050	12,346	1,319,257	100,863	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(6,342)	(56,050)	(12,346)	528,602	(100,863)	-	136	150	-
Other financing sources (uses):									
Transfers in from other funds	-	300,000	-	-	100,863	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	300,000	-	-	100,863	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(6,342)	243,950	(12,346)	528,602	-	-	136	150	-
Fund balances (deficits) at beginning of year	138,447	13,668	16,923	3,293,961	124,659	11,882	-	1,745	50,729
Fund balances (deficits) at end of year	\$ 132,105	\$ 257,618	\$ 4,577	\$ 3,822,563	\$ 124,659	\$ 11,882	\$ 136	\$ 1,895	\$ 50,729

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	245	295	234	244	608	326	270	602	
	GDOE Federal Grants	Guam Environmental Trust	GFD Lease-to- Purchase Program	Guam Housing Corporation Revolving	Guam Museum	Guam Plant Inspection and Permit	Guam Preservation Trust	Health and Human Services	Healthy Futures
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	8,567,333
Sales, licenses, fees and permits	-	138,689	-	-	-	49,300	615,754	-	-
Use of money and property	-	-	-	-	-	-	-	23,173	-
Federal contributions	42,224,811	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	42,224,811	138,689	-	-	-	49,300	615,754	23,173	8,567,333
Expenditures by Function:									
General government	-	-	-	-	-	-	-	-	-
Protection of life and property	-	6,038	-	-	-	-	166,063	-	-
Public health	-	-	-	-	-	-	-	-	3,977,166
Community services	-	-	-	-	1,478	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	42,809,983	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	4,635,805
Total expenditures	42,809,983	6,038	-	-	1,478	-	166,063	-	8,612,971
Excess (deficiency) of revenues over (under) expenditures	(585,172)	132,651	-	-	(1,478)	49,300	449,691	23,173	(45,638)
Other financing sources (uses):									
Transfers in from other funds	965,351	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	965,351	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	380,179	132,651	-	-	(1,478)	49,300	449,691	23,173	(45,638)
Fund balances (deficits) at beginning of year	-	444,653	600,000	88,777	1,478	-	2,510,324	2,579,403	2,360,219
Fund balances (deficits) at end of year	\$ 380,179	\$ 577,304	\$ 600,000	\$ 88,777	\$ -	\$ 49,300	\$ 2,960,015	\$ 2,602,576	\$ 2,314,581
									(continued)

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GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	241	311	201	298	301	303	321	216	313
	Health Professional Licensure	Health and Security Trust	Housing Revolving	Human Resources Services Revolving	Income Tax Rebate	Income Tax Refund Reserve	Income Tax Efficiency Payment	Individuals w/ Disabilities Disaster Recovery	Inmates Work Release
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	428	-	-	27,634	-	-	-	-	-
Use of money and property	-	67,022	175,459	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	428	67,022	175,459	27,634	-	-	-	-	-
Expenditures by Function:									
General government	13,505	-	-	100,551	-	-	-	-	-
Protection of life and property	-	-	-	-	-	-	-	-	-
Public health	-	310,970	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	1,092,652	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	13,505	1,403,622	-	100,551	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(13,077)	(1,336,600)	175,459	(72,917)	-	-	-	-	-
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(13,077)	(1,336,600)	175,459	(72,917)	-	-	-	-	-
Fund balances (deficits) at beginning of year	65,558	7,405,377	868,008	91,450	-	-	-	100,000	-
Fund balances (deficits) at end of year	\$ 52,481	\$ 6,068,777	\$ 1,043,467	\$ 18,533	\$ -	\$ -	\$ -	\$ 100,000	\$ -

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	210	222	223	287	232	293	294	261	
	Land for the Landless	Land Survey Revolving	Legislature Operations	Litter Control Revolving	Livestock	Manpower Development	Medically Indigent Program Payment Revolving	Mental Health and Substance Abuse	Notary Public Revolving
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	15,342	734,098	-	3,280	-	169,233	-	-	8,200
Use of money and property	-	-	-	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	29,431	-	1,800	-	-	-	-
Total revenues	15,342	734,098	29,431	3,280	1,800	169,233	-	-	8,200
Expenditures by Function:									
General government	-	237,869	7,161,045	-	-	-	-	-	-
Protection of life and property	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	19,312,987	439,496	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	7,679	-	-	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	724	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	-	237,869	7,161,045	-	724	7,679	19,312,987	439,496	-
Excess (deficiency) of revenues over (under) expenditures	15,342	496,229	(7,131,614)	3,280	1,076	161,554	(19,312,987)	(439,496)	8,200
Other financing sources (uses):									
Transfers in from other funds	-	-	7,451,590	-	-	-	19,312,987	439,496	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	7,451,590	-	-	-	19,312,987	439,496	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	15,342	496,229	319,976	3,280	1,076	161,554	-	-	8,200
Fund balances (deficits) at beginning of year	55,014	510,392	1,305,556	-	3,275	-	-	-	7,011
Fund balances (deficits) at end of year	\$ 70,356	\$ 1,006,621	\$ 1,625,532	\$ 3,280	\$ 4,351	\$ 161,554	\$ -	\$ -	\$ 15,211
									(continued)

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GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	316	278	329	212/225	211	504	263	221	215
	Off-Island Sports	Off-Island Sports Travel	Off-Island Treatment	Parks and Recreation Revolving	Plant Nursery Revolving	Plant Protection and Quarantine Revolving	Police Services	Printing Revolving	Professional Engineers', Architects' and Surveyors'
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	134,263	-	-	377,681	-	155,268
Use of money and property	-	-	-	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	500	-	-	-	15,830	-	-	3,452	-
Total revenues	500	-	-	134,263	15,830	-	377,681	3,452	155,268
Expenditures by Function:									
General government	-	-	-	-	-	-	-	-	-
Protection of life and property	-	-	-	-	-	3,388	299,917	-	-
Public health	-	-	-	-	-	-	-	-	-
Community services	-	-	1,443,322	-	-	-	-	-	-
Recreation	-	-	-	53,139	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-	149,410
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	28,802	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	-	-	1,443,322	53,139	28,802	3,388	299,917	-	149,410
Excess (deficiency) of revenues over (under) expenditures	500	-	(1,443,322)	81,124	(12,972)	(3,388)	77,764	3,452	5,858
Other financing sources (uses):									
Transfers in from other funds	-	-	1,443,322	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	1,443,322	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	500	-	-	81,124	(12,972)	(3,388)	77,764	3,452	5,858
Fund balances (deficits) at beginning of year	-	20,560	1,350	-	4,795	-	-	8,230	41,874
Fund balances (deficits) at end of year	500	20,560	1,350	81,124	(8,177)	(3,388)	77,764	11,682	47,732

(continued)



GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	238	604	269	317	285	601	217		
	Program Development	Public Auditor	Public Defender Service Corporation	Public Library System	Public Service Recovery	Public Transit	Rabies Prevention	Safe Homes, Safe Streets	Safe Streets
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	630,850	-	144,127	45,206	1,289,536	-
Use of money and property	247	1,511	-	-	-	-	-	-	-
Federal contributions	-	52,733	163,697	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	247	54,244	163,697	630,850	-	144,127	45,206	1,289,536	-
Expenditures by Function:									
General government	6,000	839,105	-	-	-	-	-	631,609	1,500
Protection of life and property	-	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	16,501	-	-
Community services	-	-	-	494,949	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	2,289,808	-	-	-	-	-	-
Transportation	-	-	-	-	-	45,418	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	6,000	839,105	2,289,808	494,949	-	45,418	16,501	631,609	1,500
Excess (deficiency) of revenues over (under) expenditures	(5,753)	(784,861)	(2,126,111)	135,901	-	98,709	28,705	657,927	(1,500)
Other financing sources (uses):									
Transfers in from other funds	-	885,371	2,247,419	-	-	1,050	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	885,371	2,247,419	-	-	1,050	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(5,753)	100,510	121,308	135,901	-	99,759	28,705	657,927	(1,500)
Fund balances (deficits) at beginning of year	-	174,982	417,022	249,969	12,063	385,300	72,085	355,872	305,339
Fund balances (deficits) at end of year	\$(5,753)	\$ 275,492	\$ 538,330	\$ 385,870	\$ 12,063	\$ 485,059	\$ 100,790	\$ 1,013,799	\$ 303,839
									(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	284	275	605	314	103	607	327		
	Solid Waste Management Plan	SW Medical Monitoring	Special Assets Forfeiture	State Agency for Surplus Property	StripperWell Overcharge	Superior Court Operations	Supreme Court of Guam	Supplemental Annuity Benefits	Taguag Memorial Cemetery
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	-	-	1,527,713	68,848	-	18,250
Use of money and property	-	167	-	139	2,686	-	-	-	-
Federal contributions	-	-	51,250	-	-	-	-	-	-
Other	24,015	-	-	4,138	-	-	-	-	-
Total revenues	24,015	167	51,250	4,277	2,686	1,527,713	68,848	-	18,250
Expenditures by Function:									
General government	-	-	-	121,074	-	-	-	-	-
Protection of life and property	-	-	112,652	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-	-
Community services	-	-	-	-	-	-	-	-	-
Recreation	-	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	15,172,203	2,498,376	6,295,220	-
Transportation	-	-	-	-	-	-	-	-	-
Public education	-	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	5,487	-	-	-	-
Economic development	-	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	-	-	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	-	-	-	-
Total expenditures	53,685	-	112,652	121,074	5,487	15,172,203	2,498,376	6,295,220	-
Excess (deficiency) of revenues over (under) expenditures	(29,670)	167	(61,402)	(116,797)	(2,801)	(13,644,490)	(2,429,528)	(6,295,220)	18,250
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	16,930,811	2,414,782	6,900,775	-
Transfers out to other funds	-	-	-	-	-	(3,066,133)	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	13,864,678	2,414,782	6,900,775	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(29,670)	167	(61,402)	(116,797)	(2,801)	220,188	(14,746)	605,555	18,250
Fund balances (deficits) at beginning of year	87,745	124,834	740,662	390,574	576,473	2,877,005	530,853	-	13,436
Fund balances (deficits) at end of year	\$ 58,075	\$ 125,001	\$ 679,260	\$ 273,777	\$ 573,672	\$ 3,097,193	\$ 516,107	\$ 605,555	\$ 31,686
									(continued)

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	603	205	208	206	501	297	207	247
	Tax Collection	Territorial Educational Facilities	Territorial Highway	Tourist Attraction	Typhoon Chataan & Halong	University of Guam Capital Improvements	UOG Higher Education Endowment	Village Streets
Revenues:								
Taxes:								
Property	\$ -	\$ 21,737,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	17,674,859	-	-	-	-
Liquid fuel	-	-	8,910,185	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	481,397	-	4,375,475	-	-	-	-	-
Use of money and property	-	5,046	11,768	-	-	-	21,072	11,135
Federal contributions	-	-	582,939	-	-	-	-	-
Other	-	160	-	-	-	-	-	-
Total revenues	481,397	21,742,624	13,880,367	17,674,859	-	-	21,072	11,135
Expenditures by Function:								
General government	347,412	-	6,326,144	37,388	-	-	-	-
Protection of life and property	-	-	-	-	-	-	-	-
Public health	-	-	-	-	-	-	-	-
Community services	-	-	-	-	663,061	-	-	-
Recreation	-	-	-	-	-	-	-	-
Individual and collective rights	-	-	-	-	-	-	-	-
Transportation	-	-	2,615,048	-	-	-	-	428,925
Public education	-	-	-	-	-	-	-	-
Environmental protection	-	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-	-
Payments to Guam Visitors Bureau	-	-	-	10,009,438	-	-	-	-
Payments to Guam Memorial Hospital	-	-	-	-	-	-	-	-
Payments to University of Guam	-	-	-	-	-	500,000	-	-
Total expenditures	347,412	-	8,941,192	10,046,826	663,061	500,000	2,238,384	428,925
Excess (deficiency) of revenues over (under) expenditures	133,985	21,742,624	4,939,175	7,628,033	(663,061)	(500,000)	(2,217,312)	(417,790)
Other financing sources (uses):								
Transfers in from other funds	-	-	-	-	661,572	500,000	-	518,912
Transfers out to other funds	-	(21,385,340)	(8,885,000)	(8,370,000)	-	-	-	-
Total other financing sources (uses), net	-	(21,385,340)	(8,885,000)	(8,370,000)	661,572	500,000	-	518,912
Special item:								
Gain from tax drawback settlement	-	-	5,893,926	-	-	-	-	-
Net change in fund balances (deficits)	133,985	357,284	1,948,101	(741,967)	(1,489)	-	(2,217,312)	101,122
Fund balances (deficits) at beginning of year	392,579	-	(13,467,215)	(11,218,138)	-	-	2,217,312	-
Fund balances (deficits) at end of year	\$ 526,564	\$ 357,284	\$ (11,519,114)	\$ (11,960,105)	\$ (1,489)	\$ -	\$ -	\$ 101,122

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Function, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	283	300	203	310	276	
	Water Protection	Water Research and Development	Wildlife Conservation	Workman's Compensation	Youth Tobacco Education and Prevention	Total
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,737,418
Hotel	-	-	-	-	-	17,674,859
Liquid fuel	-	-	-	-	-	8,910,185
Other taxes	-	-	-	-	-	9,856,869
Sales, licenses, fees and permits	42,169	-	37,626	323,454	-	28,680,892
Use of money and property	-	-	-	-	33,278	361,843
Federal contributions	-	-	-	-	-	43,075,430
Other	-	113,675	-	-	-	333,082
Total revenues	42,169	113,675	37,626	323,454	33,278	130,630,578
Expenditures by Function:						
General government	-	-	-	-	-	17,663,928
Protection of life and property	-	-	-	-	-	11,400,485
Public health	-	-	-	-	-	5,147,515
Community services	-	-	-	-	-	25,100,055
Recreation	-	-	-	-	-	53,139
Individual and collective rights	-	-	-	1,829,902	-	29,342,342
Transportation	-	-	-	-	-	2,660,466
Public education	-	-	-	-	-	42,809,983
Environmental protection	52,188	-	9,538	-	-	350,513
Economic development	-	119,326	-	-	-	120,050
Payments to Guam Visitors Bureau	-	-	-	-	-	10,009,438
Payments to Guam Memorial Hospital	-	-	-	-	-	5,728,457
Payments to University of Guam	-	-	-	-	-	2,738,384
Total expenditures	52,188	119,326	9,538	1,829,902	-	153,124,755
Excess (deficiency) of revenues over (under) expenditures	(10,019)	(5,651)	28,088	(1,506,448)	33,278	(22,494,177)
Other financing sources (uses):						
Transfers in from other funds	-	-	-	1,506,448	-	62,580,749
Transfers out to other funds	-	-	-	-	(439,496)	(42,145,969)
Total other financing sources (uses), net	-	-	-	1,506,448	(439,496)	20,434,780
Special item:						
Gain from tax drawback settlement	-	-	-	-	-	5,893,926
Net change in fund balances (deficits)	(10,019)	(5,651)	28,088	-	(406,218)	3,834,529
Fund balances (deficits) at beginning of year	159,594	372,063	177,091	-	2,236,739	17,192,223
Fund balances (deficits) at end of year	\$ 149,575	\$ 366,412	\$ 205,179	\$ -	\$ 1,830,521	\$ 21,026,752

## GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	271	202	236	309	265	262	266	282	411
	1999 SPG Revolving	Abandoned Vehicle and Streetsight	Accessible Parking	Agana Fractional Lots Program	Air Pollution Control	Autonomous Agency Infrastructure Collections	Board of Accountancy	Carrier Off-duty Services Revolving	Chamorro Commercial Loan
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	3,128,163	-	-	249,994	-	304,375	349,708	11,484
Use of money and property	267	-	-	-	-	-	-	-	4,824
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	267	3,128,163	-	-	249,994	-	304,375	349,708	16,308
Expenditures by Object:									
Salaries and wages	-	-	-	-	-	-	-	323,051	421,185
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	-	2,760	-	539,907	-	15,434
Supplies	-	-	-	-	-	-	10,552	-	3,708
Utilities	-	2,293,631	-	-	22,955	-	5,007	-	10,804
Travel	-	-	-	-	5,330	-	-	-	-
Capital outlays	-	-	-	-	29,587	-	1,600	-	-
Equipment	-	-	-	-	-	-	1,224	-	-
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	-	339,640	-	-	141,890	-	-
Total expenditures	-	2,293,631	-	339,640	60,632	-	700,180	323,051	451,131
Excess (deficiency) of revenues over (under) expenditures	267	834,532	-	(339,640)	189,362	-	(395,805)	26,657	(434,823)
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	267	834,532	-	(339,640)	189,362	-	(395,805)	26,657	(434,823)
Fund balances (deficits) at beginning of year	3,224	(971,592)	5,566	556,820	462,287	460	1,353,408	34,298	-
Fund balances (deficits) at end of year	\$ 3,491	\$ (137,060)	\$ 5,566	\$ 217,180	\$ 651,649	\$ 460	\$ 957,603	\$ 60,955	\$ (434,823)

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	220	319	105	250	213	272	325	209	267
	Chamorro Language Commission	Community Development	Community Health Centers	Consumer Protection	Contractors' License Board	Controlled Substance Diversion	Criminal Injuries	Customs, Agriculture and Quarantine Inspection Services	Dededo Buffer Strip Revolving
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	573,186	-	300,101	101,925	-	8,369,859	-
Use of money and property	-	-	-	-	-	-	-	2,579	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	19,471	-	8,591
Total revenues	-	-	573,186	-	300,101	101,925	19,471	8,372,438	8,591
Expenditures by Object:									
Salaries and wages	-	-	514,812	-	177,157	-	-	5,803,540	-
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Contractual services	-	-	167,928	-	23,548	-	-	1,799,121	640
Supplies	-	-	97,367	-	5,181	-	-	102,242	-
Utilities	-	-	-	-	8,158	-	-	156,974	-
Travel	-	-	7,241	-	-	6,046	-	900	-
Capital outlays	-	-	51,325	-	14,539	-	-	25,297	-
Equipment	-	-	4,082	-	1,658	-	-	10,565	-
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	123	-	75	-	-	45,267	-
Total expenditures	-	-	842,878	-	230,316	6,046	-	7,943,906	640
Excess (deficiency) of revenues over (under) expenditures	-	-	(269,692)	-	69,785	95,879	19,471	428,532	7,951
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	-	-	(269,692)	-	69,785	95,879	19,471	428,532	7,951
Fund balances (deficits) at beginning of year	-	-	-	135	73,058	-	30,584	-	130,815
Fund balances (deficits) at end of year	\$ -	\$ -	(269,692)	135	142,843	95,879	50,055	428,532	138,766

(continued)

## GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	214	106	235	246	281	600	104	243	312
	DOC	D.O.D.	DPW	Drivers'	Enhanced 911	Environmental	Exxon Fuel	Farmers' and	Farmers
	Inmates	Contract	Building	Education	Emergency	Health	Overcharge	Fishermen's	Small Loan
	Revolving		and Design		Reporting			Loan	Revolving
					System				
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	1,663,281	-	376,791	32,189	872,614	375,078	-	-	-
Use of money and property	-	7	-	-	-	-	1,142	-	-
Federal contributions	-	-	-	-	-	-	-	-	35
Other	-	-	-	-	-	-	-	-	-
Total revenues	<u>1,663,281</u>	<u>7</u>	<u>376,791</u>	<u>32,189</u>	<u>872,614</u>	<u>375,078</u>	<u>1,142</u>	<u>-</u>	<u>35</u>
Expenditures by Object:									
Salaries and wages	335,708	-	-	-	867,240	38,432	-	-	-
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Contractual services	354,387	-	-	-	50,639	-	18,389	-	-
Supplies	464,500	-	-	-	25,902	-	2,601	-	-
Utilities	-	-	-	-	50,783	-	19,014	-	-
Travel	-	-	-	-	-	-	-	-	-
Capital outlays	22,942	-	-	-	49,843	-	1,992	-	-
Equipment	3,074	-	-	-	3,639	-	2,639	-	-
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	709	-	1,064	-	-
Total expenditures	<u>1,180,611</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,048,755</u>	<u>38,432</u>	<u>45,699</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	<u>482,670</u>	<u>7</u>	<u>376,791</u>	<u>32,189</u>	<u>(176,141)</u>	<u>336,646</u>	<u>(44,557)</u>	<u>-</u>	<u>35</u>
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	<u>482,670</u>	<u>7</u>	<u>376,791</u>	<u>32,189</u>	<u>(176,141)</u>	<u>336,646</u>	<u>(44,557)</u>	<u>-</u>	<u>35</u>
Fund balances (deficits) at beginning of year	153,282	-	772,545	227,753	1,792,298	606,694	908,474	125,931	16,626
Fund balances (deficits) at end of year	<u>\$ 635,952</u>	<u>\$ 7</u>	<u>\$ 1,149,336</u>	<u>\$ 259,942</u>	<u>\$ 1,616,157</u>	<u>\$ 943,340</u>	<u>\$ 863,917</u>	<u>\$ 125,931</u>	<u>\$ 16,661</u>

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	299	277	229	404	239	237	406	307	248
	Financial Management Revolving	Firefighter Equipment Replacement	General Services Agency	GSA Inventory Revolving	Government Claims	Government House Revolving	Group Life Insurance	Guam Based Trust	Guam Beautification
Revenues:	\$	\$	\$	\$	\$	\$	\$	\$	\$
Taxes:									
Property	-	-	-	-	-	-	-	-	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	1,847,859	-	-	-	-	-
Use of money and property	-	-	-	-	-	-	136	150	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	112,019	-	-	1,847,859	-	-	136	150	-
Expenditures by Object:	112,019	-	-	1,847,859	-	-	136	150	-
Salaries and wages	8,710	-	-	-	-	-	-	-	-
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Contractual services	85,244	42,220	7,137	-	-	-	-	-	-
Supplies	4,462	-	3,399	1,319,257	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-
Travel	-	-	-	-	-	-	-	-	-
Capital outlays	19,945	13,830	1,500	-	-	-	-	-	-
Equipment	-	-	310	-	-	-	-	-	-
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	100,863	-	-	-	-
Total expenditures	118,361	56,050	12,346	1,319,257	100,863	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(6,342)	(56,050)	(12,346)	528,602	(100,863)	-	136	150	-
Other financing sources (uses):									
Transfers in from other funds	-	300,000	-	-	100,863	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	300,000	-	-	100,863	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(6,342)	243,950	(12,346)	528,602	-	-	136	150	-
Fund balances (deficits) at beginning of year	138,447	13,668	16,923	3,293,961	124,659	11,882	-	1,745	50,729
Fund balances (deficits) at end of year	\$ 132,105	\$ 257,618	\$ 4,577	\$ 3,822,563	\$ 124,659	\$ 11,882	\$ 136	\$ 1,895	\$ 50,729

(continued)



GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	245	295	234	244	608	326	270	602	
	GDOE Federal Grants	Guam Environmental Trust	GFD Lease-to- Purchase Program	Guam Housing Corporation Revolving	Guam Museum	Guam Plant Inspection and Permit	Guam Preservation Trust	Health and Human Services	Healthy Futures
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	8,567,333
Sales, licenses, fees and permits	-	138,689	-	-	-	49,300	615,754	-	-
Use of money and property	-	-	-	-	-	-	-	23,173	-
Federal contributions	42,224,811	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	42,224,811	138,689	-	-	-	49,300	615,754	23,173	8,567,333
Expenditures by Object:									
Salaries and wages	30,352,222	-	-	-	-	-	111,921	-	3,681,806
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	4,635,805
Contractual services	3,127,529	6,038	-	-	-	-	22,169	-	203,009
Supplies	3,120,580	-	-	-	-	-	1,253	-	74,695
Utilities	5,252	-	-	-	-	-	3,038	-	-
Travel	2,797,856	-	-	-	-	-	10,017	-	-
Capital outlays	1,380,683	-	-	-	-	-	-	-	15,412
Equipment	2,025,861	-	-	-	-	-	-	-	2,244
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	1,478	-	17,665	-	-
Total expenditures	42,809,983	6,038	-	-	1,478	-	166,063	-	8,612,971
Excess (deficiency) of revenues over (under) expenditures	(585,172)	132,651	-	-	(1,478)	49,300	449,691	23,173	(45,638)
Other financing sources (uses):									
Transfers in from other funds	965,351	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	965,351	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	380,179	132,651	-	-	(1,478)	49,300	449,691	23,173	(45,638)
Fund balances (deficits) at beginning of year	-	444,653	600,000	88,777	1,478	-	2,510,324	2,579,403	2,360,219
Fund balances (deficits) at end of year	\$ 380,179	\$ 577,304	\$ 600,000	\$ 88,777	\$ -	\$ 49,300	\$ 2,960,015	\$ 2,602,576	\$ 2,314,581
									(continued)

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	241	311	201	298	301	303	321	216	313
	Health Professional Licensure	Health and Security Trust	Housing Revolving	Human Resources Revolving	Income Tax Rebate	Income Tax Refund Reserve	Income Tax Efficiency Payment	Individuals w/ Disabilities Disaster Recovery	Inmates Work Release
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	428	-	-	27,634	-	-	-	-	-
Use of money and property	-	67,022	175,459	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	428	67,022	175,459	27,634	-	-	-	-	-
Expenditures by Object:									
Salaries and wages	-	-	-	-	-	-	-	-	-
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	1,092,652	-	-	-	-	-	-	-
Contractual services	1,428	310,970	-	65,580	-	-	-	-	-
Supplies	909	-	-	2,318	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-
Travel	1,778	-	-	145	-	-	-	-	-
Capital outlays	2,766	-	-	29,058	-	-	-	-	-
Equipment	624	-	-	3,450	-	-	-	-	-
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total expenditures	13,505	1,403,622	-	100,551	-	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	(13,077)	(1,336,600)	175,459	(72,917)	-	-	-	-	-
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(13,077)	(1,336,600)	175,459	(72,917)	-	-	-	-	-
Fund balances (deficits) at beginning of year	65,558	7,405,377	868,008	91,450	-	-	-	100,000	-
Fund balances (deficits) at end of year	\$ 52,481	\$ 6,068,777	\$ 1,043,467	\$ 18,533	\$ -	\$ -	\$ -	\$ 100,000	\$ -

(continued)

## GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	210	222	223	287	232	293	294	261
	Land for the Landless	Land Survey Revolving	Litter Control Revolving	Livestock	Manpower Development	Medically Indigent Program Payment Revolving	Mental Health and Substance Abuse	Notary Public Revolving
Revenues:								
Taxes:								
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	15,342	734,098	3,280	-	169,233	-	-	8,200
Use of money and property	-	-	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-
Other	-	-	29,431	1,800	-	-	-	-
Total revenues	15,342	734,098	3,280	1,800	169,233	-	-	8,200
Expenditures by Object:								
Salaries and wages	-	4,394	5,652,343	-	4,800	-	-	-
Medical care	-	-	-	-	-	19,259,853	-	-
Grants	-	-	-	-	-	-	-	-
Contractual services	-	129,449	1,003,477	724	1,075	-	296,427	-
Supplies	-	2,191	64,251	-	517	-	7,593	-
Utilities	-	28,608	232,370	-	-	-	-	-
Travel	-	-	19,186	-	-	53,134	13,561	-
Capital outlays	-	-	-	-	-	-	33,992	-
Equipment	-	-	-	-	1,287	-	1,753	-
Workers compensation benefits	-	-	-	-	-	-	-	-
Other	-	73,227	189,418	-	-	-	86,170	-
Total expenditures	-	237,869	7,161,045	724	7,679	19,312,987	439,496	-
Excess (deficiency) of revenues over (under) expenditures	15,342	496,229	(7,131,614)	1,076	161,554	(19,312,987)	(439,496)	8,200
Other financing sources (uses):								
Transfers in from other funds	-	-	7,451,590	-	-	19,312,987	439,496	-
Transfers out to other funds	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	7,451,590	-	-	19,312,987	439,496	-
Special item:								
Gain from tax drawback settlement	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	15,342	496,229	319,976	1,076	161,554	-	-	8,200
Fund balances (deficits) at beginning of year	55,014	510,392	1,305,556	3,275	-	-	-	7,011
Fund balances (deficits) at end of year	\$ 70,356	\$ 1,006,621	\$ 1,625,532	\$ 4,351	\$ 161,554	\$ -	\$ -	\$ 15,211
								(continued)

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GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	316	278	329	212/225	211	504	263	221	215
	Off-Island Sports	Off-Island Sports Travel	Off-Island Treatment	Parks and Recreation Revolving	Plant Nursery Revolving	Plant Protection and Quarantine Revolving	Police Services	Printing Revolving	Professional Engineers', Architects' and Surveyors'
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	134,263	-	-	377,681	-	155,268
Use of money and property	-	-	-	-	-	-	-	-	-
Federal contributions	-	-	-	-	-	-	-	-	-
Other	500	-	-	-	15,830	-	-	3,452	-
Total revenues	500	-	-	134,263	15,830	-	377,681	3,452	155,268
Expenditures by Object:									
Salaries and wages	-	-	-	-	-	-	299,917	-	71,649
Medical care	-	-	1,443,322	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Contractual services	-	-	-	36,725	151	3,115	-	-	61,256
Supplies	-	-	-	9,521	28,651	75	-	-	2,135
Utilities	-	-	-	-	-	-	-	-	3,497
Travel	-	-	-	-	-	-	-	-	5,450
Capital outlays	-	-	-	3,700	-	-	-	-	2,190
Equipment	-	-	-	3,193	-	198	-	-	3,111
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	122
Total expenditures	-	-	1,443,322	53,139	28,802	3,388	299,917	-	149,410
Excess (deficiency) of revenues over (under) expenditures	500	-	(1,443,322)	81,124	(12,972)	(3,388)	77,764	3,452	5,858
Other financing sources (uses):									
Transfers in from other funds	-	-	1,443,322	-	-	-	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	-	1,443,322	-	-	-	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	500	-	-	81,124	(12,972)	(3,388)	77,764	3,452	5,858
Fund balances (deficits) at beginning of year	-	20,560	1,350	-	4,795	-	-	8,230	41,874
Fund balances (deficits) at end of year	500	20,560	1,350	81,124	(8,177)	(3,388)	77,764	11,682	47,732

(continued)

GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	238	604	269	317	285	601	217		
	Program Development	Public Auditor	Public Defender Service Corporation	Public Library System	Public Service Recovery	Public Transit	Rabies Prevention	Safe Homes, Safe Streets	Safe Streets
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	1,289,536	-
Sales, licenses, fees and permits	-	-	-	630,850	-	144,127	45,206	-	-
Use of money and property	247	1,511	-	-	-	-	-	-	-
Federal contributions	-	52,733	163,697	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total revenues	247	54,244	163,697	630,850	-	144,127	45,206	1,289,536	-
Expenditures by Object:									
Salaries and wages	-	608,827	2,151,810	-	-	-	-	-	-
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Contractual services	-	171,278	38,989	-	-	-	-	490,551	-
Supplies	-	12,075	14,359	-	-	-	1,279	69,983	-
Utilities	-	7,389	21,522	-	-	-	-	-	-
Travel	-	10,918	10,938	-	-	-	-	-	-
Capital outlays	-	-	29,270	-	-	-	14,827	8,530	1,500
Equipment	-	17,033	20,562	-	-	-	395	12,275	-
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	6,000	11,585	2,358	494,949	-	45,418	-	50,270	-
Total expenditures	6,000	839,105	2,289,808	494,949	-	45,418	16,501	631,609	1,500
Excess (deficiency) of revenues over (under) expenditures	(5,753)	(784,861)	(2,126,111)	135,901	-	98,709	28,705	657,927	(1,500)
Other financing sources (uses):									
Transfers in from other funds	-	885,371	2,247,419	-	-	1,050	-	-	-
Transfers out to other funds	-	-	-	-	-	-	-	-	-
Total other financing sources (uses), net	-	885,371	2,247,419	-	-	1,050	-	-	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(5,753)	100,510	121,308	135,901	-	99,759	28,705	657,927	(1,500)
Fund balances (deficits) at beginning of year	-	174,982	417,022	249,969	12,063	385,300	72,085	355,872	305,339
Fund balances (deficits) at end of year	\$ (5,753)	\$ 275,492	\$ 538,330	\$ 385,870	\$ 12,063	\$ 485,059	\$ 100,790	\$ 1,013,799	\$ 303,839
									(continued)

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GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	284	275	605	314	103	607	327		
	Solid Waste Management Plan	SW Medical Monitoring	Special Assets Forfeiture	State Agency for Surplus Property	StripperWell Overcharge	Superior Court Operations	Supreme Court of Guam	Supplemental Annuity Benefits	Taguag Memorial Cemetery
Revenues:									
Taxes:									
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	-	-	-	-	-	-
Liquid fuel	-	-	-	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	-	-	-	-	-	1,527,713	68,848	-	18,250
Use of money and property	-	167	-	139	2,686	-	-	-	-
Federal contributions	-	-	51,250	-	-	-	-	-	-
Other	24,015	-	-	4,138	-	-	-	-	-
Total revenues	24,015	167	51,250	4,277	2,686	1,527,713	68,848	-	18,250
Expenditures by Object:									
Salaries and wages	-	-	8,838	-	-	11,318,689	1,977,161	-	-
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	-	-	-	-	-	-
Contractual services	47,977	-	14,470	-	-	821,514	-	-	-
Supplies	5,708	-	55,978	121,074	2,983	385,631	-	-	-
Utilities	-	-	-	-	-	764,481	-	-	-
Travel	-	-	32,433	-	-	190,828	-	-	-
Capital outlays	-	-	933	-	-	368,216	-	-	-
Equipment	-	-	-	-	-	-	-	-	-
Workers compensation benefits	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total expenditures	53,685	-	112,652	121,074	2,504	1,322,844	521,215	6,295,220	-
Excess (deficiency) of revenues over (under) expenditures	(29,670)	167	(61,402)	(116,797)	(2,801)	(13,644,490)	(2,429,528)	(6,295,220)	18,250
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	-	16,930,811	2,414,782	6,900,775	-
Transfers out to other funds	-	-	-	-	-	(3,066,133)	-	-	-
Total other financing sources (uses), net	-	-	-	-	-	13,864,678	2,414,782	6,900,775	-
Special item:									
Gain from tax drawback settlement	-	-	-	-	-	-	-	-	-
Net change in fund balances (deficits)	(29,670)	167	(61,402)	(116,797)	(2,801)	220,188	(14,746)	605,555	18,250
Fund balances (deficits) at beginning of year	87,745	124,834	740,662	390,574	576,473	2,877,005	530,853	-	13,436
Fund balances (deficits) at end of year	\$ 58,075	\$ 125,001	\$ 679,260	\$ 273,777	\$ 573,672	\$ 3,097,193	\$ 516,107	\$ 605,555	\$ 31,686
									(continued)

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GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	603	205	208	206	501	297	207	247	
	Tax Collection	Territorial Educational Facilities	Territorial Highway	Tourist Attraction	Typhoon Chataan & Halong	University of Guam Capital Improvements	UOG Higher Education Endowment	Veterans' Bonus	Village Streets
Revenues:									
Taxes:									
Property	\$ -	\$ 21,737,418	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
Hotel	-	-	-	17,674,859	-	-	-	-	-
Liquid fuel	-	-	8,910,185	-	-	-	-	-	-
Other taxes	-	-	-	-	-	-	-	-	-
Sales, licenses, fees and permits	481,397	-	4,375,475	-	-	-	-	-	-
Use of money and property	-	5,046	11,768	-	-	-	21,072	-	11,135
Federal contributions	-	-	582,939	-	-	-	-	-	-
Other	-	160	-	-	-	-	-	-	-
Total revenues	481,397	21,742,624	13,880,367	17,674,859	-	-	21,072	-	11,135
Expenditures by Object:									
Salaries and wages	320,392	-	865,319	-	-	-	-	-	-
Medical care	-	-	-	-	-	-	-	-	-
Grants	-	-	-	10,009,438	-	500,000	2,238,384	-	-
Contractual services	10,180	-	2,615,048	-	621,804	-	-	-	195,861
Supplies	1,358	-	341,735	-	-	-	-	-	145,985
Utilities	-	-	1,210,987	-	-	-	-	-	93
Travel	-	-	3,381	-	-	-	-	-	-
Capital outlays	7,618	-	136,403	-	-	-	-	-	64,202
Equipment	1,258	-	4,363	-	-	-	-	-	7,570
Workers compensation benefits	6,606	-	-	-	-	-	-	-	-
Other	-	-	3,763,956	37,388	41,257	-	-	-	15,214
Total expenditures	347,412	-	8,941,192	10,046,826	663,061	500,000	2,238,384	-	428,925
Excess (deficiency) of revenues over (under) expenditures	133,985	21,742,624	4,939,175	7,628,033	(663,061)	(500,000)	(2,217,312)	-	(417,790)
Other financing sources (uses):									
Transfers in from other funds	-	-	-	-	661,572	500,000	-	-	518,912
Transfers out to other funds	-	(21,385,340)	(8,885,000)	(8,370,000)	-	-	-	-	-
Total other financing sources (uses), net	-	(21,385,340)	(8,885,000)	(8,370,000)	661,572	500,000	-	-	518,912
Special item:									
Gain from tax drawback settlement	-	-	5,893,926	-	-	-	-	-	-
Net change in fund balances (deficits)	133,985	357,284	1,948,101	(741,967)	(1,489)	-	(2,217,312)	-	101,122
Fund balances (deficits) at beginning of year	392,579	-	(13,467,215)	(11,218,138)	-	-	2,217,312	-	-
Fund balances (deficits) at end of year	\$ 526,564	\$ 357,284	\$ (11,519,114)	\$ (11,960,105)	\$ (1,489)	\$ -	\$ -	\$ -	\$ 101,122
									(continued)

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GOVERNMENT OF GUAM

Nonmajor Governmental Funds - Special Revenue Funds  
Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances (Deficits)  
Year Ended September 30, 2004

AS/400 Fund Number	283	300	203	310	276	
	Water Protection	Water Research and Development	Wildlife Conservation	Workman's Compensation	Youth Tobacco Education and Prevention	Total
Revenues:						
Taxes:						
Property	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,737,418
Hotel	-	-	-	-	-	17,674,859
Liquid fuel	-	-	-	-	-	8,910,185
Other taxes	-	-	-	-	-	9,856,869
Sales, licenses, fees and permits	42,169	-	37,626	323,454	-	28,680,892
Use of money and property	-	-	-	-	33,278	361,843
Federal contributions	-	-	-	-	-	43,075,430
Other	-	113,675	-	-	-	333,082
Total revenues	42,169	113,675	37,626	323,454	33,278	130,630,578
Expenditures by Object:						
Salaries and wages	-	-	-	-	-	65,919,923
Medical care	-	-	-	-	-	20,703,175
Grants	-	-	-	-	-	18,476,279
Contractual services	50,000	119,326	8,819	1,770,190	-	15,352,483
Supplies	2,188	-	719	-	-	6,514,915
Utilities	-	-	-	-	-	4,844,563
Travel	-	-	-	59,712	-	3,234,854
Capital outlays	-	-	-	-	-	2,331,700
Equipment	-	-	-	-	-	2,132,368
Workers compensation benefits	-	-	-	-	-	6,606
Other	-	-	-	-	-	13,607,889
Total expenditures	52,188	119,326	9,538	1,829,902	-	153,124,755
Excess (deficiency) of revenues over (under) expenditures	(10,019)	(5,651)	28,088	(1,506,448)	33,278	(22,494,177)
Other financing sources (uses):						
Transfers in from other funds	-	-	-	1,506,448	-	62,580,749
Transfers out to other funds	-	-	-	-	(439,496)	(42,145,969)
Total other financing sources (uses), net	-	-	-	1,506,448	(439,496)	20,434,780
Special item:						
Gain from tax drawback settlement	-	-	-	-	-	5,893,926
Net change in fund balances (deficits)	(10,019)	(5,651)	28,088	-	(406,218)	3,834,529
Fund balances (deficits) at beginning of year	159,594	372,063	177,091	-	2,236,739	17,192,223
Fund balances (deficits) at end of year	\$ 149,575	\$ 366,412	\$ 205,179	\$ -	\$ 1,830,521	\$ 21,026,752



# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Capital Projects Funds Combining Balance Sheet September 30, 2004

AS/400 Fund Number	224 Limited Obligation Highway Improvement Bonds	251 Limited Obligation Infrastructure Improvement Bonds	252 Water Systems Revenue Bond	401/403 PUAG Capital Projects	253 General Obligation Bond Series A 1993	Judicial Building	Total
<b>ASSETS:</b>							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 10,272	\$ -	\$ 1,117,931	\$ 1,128,203
Time certificates of deposit	-	-	-	-	-	1,000,718	1,000,718
Receivables, net:							
Other	-	-	-	29,180	-	-	29,180
Due from other funds	577,584	5,335,402	-	948,460	502,872	-	7,364,318
Restricted assets:							
Cash and cash equivalents	24,172,703	11,123,047	2,929,213	-	-	-	38,224,963
Investments	-	-	-	-	518,793	-	518,793
<b>Total assets</b>	<b>\$ 24,750,287</b>	<b>\$ 16,458,449</b>	<b>\$ 2,929,213</b>	<b>\$ 987,912</b>	<b>\$ 1,021,665</b>	<b>\$ 2,118,649</b>	<b>\$ 48,266,175</b>

### LIABILITIES AND FUND BALANCES

<b>Liabilities:</b>							
Accounts payable	\$ 156,936	\$ 1,019,936	\$ 116,261	\$ -	\$ 7,728	\$ -	\$ 1,300,861
Accrued payroll and other	-	97,221	257,212	-	88,245	-	442,678
Due to other funds	-	-	82,856	-	-	883,422	966,278
<b>Total liabilities</b>	<b>156,936</b>	<b>1,117,157</b>	<b>456,329</b>	<b>-</b>	<b>95,973</b>	<b>883,422</b>	<b>2,709,817</b>
<b>Fund balances:</b>							
Reserved for:							
Encumbrances	-	2,339,642	-	-	135,298	114,437	2,589,377
Continuing appropriations	542,639	4,875,646	795,224	948,460	604,581	-	7,766,550
Unreserved	24,050,712	8,126,004	1,677,660	39,452	185,813	1,120,790	35,200,431
<b>Total fund balances</b>	<b>24,593,351</b>	<b>15,341,292</b>	<b>2,472,884</b>	<b>987,912</b>	<b>925,692</b>	<b>1,235,227</b>	<b>45,556,358</b>
<b>Total liabilities and fund balances</b>	<b>\$ 24,750,287</b>	<b>\$ 16,458,449</b>	<b>\$ 2,929,213</b>	<b>\$ 987,912</b>	<b>\$ 1,021,665</b>	<b>\$ 2,118,649</b>	<b>\$ 48,266,175</b>

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Capital Projects Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2004

AS/400 Fund Number	224 Limited Obligation Highway Improvement Bonds	251 Limited Obligation Infrastructure Improvement Bonds	252 Water Systems Revenue Bond	401/403 PUAG Capital Projects	253 General Obligation Bond Series A 1993	Judicial Building	Total
Revenues:							
Use of money and property	\$ 187,024	\$ 144,217	\$ 25,057	\$ -	\$ 16,096	\$ 988,874	\$ 1,361,268
Total revenues	187,024	144,217	25,057	-	16,096	988,874	1,361,268
Expenditures:							
Capital projects	-	9,051,497	1,462,801	-	2,143,891	-	12,658,189
Individual and collective rights	-	-	-	-	-	1,061,814	1,061,814
Principal retirement	-	-	-	-	-	489,424	489,424
Total expenditures	-	9,051,497	1,462,801	-	2,143,891	1,551,238	14,209,427
Excess (deficiency) of revenues over (under) expenditures	187,024	(8,907,280)	(1,437,744)	-	(2,127,795)	(562,364)	(12,848,159)
Other financing sources (uses):							
Transfers out to other funds	-	-	-	-	-	(475,203)	(475,203)
Total other financing sources (uses), net	-	-	-	-	-	(475,203)	(475,203)
Net change in fund balances	187,024	(8,907,280)	(1,437,744)	-	(2,127,795)	(1,037,567)	(13,323,362)
Fund balances at beginning of year	24,406,327	24,248,572	3,910,628	987,912	3,053,487	2,272,794	58,879,720
Fund balances at end of year	\$ 24,593,351	\$ 15,341,292	\$ 2,472,884	\$ 987,912	\$ 925,692	\$ 1,235,227	\$ 45,556,358

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Capital Projects Funds Combining Statement of Revenues, Expenditures by Object, and Changes in Fund Balances Year Ended September 30, 2004

AS/400 Fund Number	224 Limited Obligation Highway Improvement Bonds	251 Limited Obligation Infrastructure Improvement Bonds	252 Water Systems Revenue Bond	401/403 PUAG Capital Projects	253 General Obligation Bond Series A 1993	Judicial Building	Total
Revenues:							
Use of money and property	\$ 187,024	\$ 144,217	\$ 25,057	\$ -	\$ 16,096	\$ 988,874	\$ 1,361,268
Total revenues	187,024	144,217	25,057	-	16,096	988,874	1,361,268
Expenditures by object:							
Contractual services	-	9,051,497	1,462,801	-	497,074	-	11,011,372
Capital outlay	-	-	-	-	1,439,887	-	1,439,887
Supplies	-	-	-	-	53,809	649,678	703,487
Principal retirement	-	-	-	-	-	489,424	489,424
Interest and fiscal charges	-	-	-	-	-	412,136	412,136
Equipment	-	-	-	-	121,700	-	121,700
Other	-	-	-	-	31,421	-	31,421
Total expenditures	-	9,051,497	1,462,801	-	2,143,891	1,551,238	14,209,427
Excess (deficiency) of revenues over (under) expenditures	187,024	(8,907,280)	(1,437,744)	-	(2,127,795)	(562,364)	(12,848,159)
Other financing sources (uses):							
Transfers out to other funds	-	-	-	-	-	(475,203)	(475,203)
Total other financing sources (uses), net	-	-	-	-	-	(475,203)	(475,203)
Net change in fund balances	187,024	(8,907,280)	(1,437,744)	-	(2,127,795)	(1,037,567)	(13,323,362)
Fund balances at beginning of year	24,406,327	24,248,572	3,910,628	987,912	3,053,487	2,272,794	58,879,720
Fund balances at end of year	\$ 24,593,351	\$ 15,341,292	\$ 2,472,884	\$ 987,912	\$ 925,692	\$ 1,235,227	\$ 45,556,358

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Debt Service Funds Combining Balance Sheet September 30, 2004

AS/400 Fund Numbers

	226	354	355	357	358	359	Total
	Limited Obligation Highway Improvement Bonds	Limited Obligation Infrastructure Improvement Bonds	Water Systems Revenue Bond	General Obligation Bond Series A 1993	General Obligation Bond Series A 1994	General Obligation Bond Series A 1995	
<b>ASSETS</b>							
Cash and cash equivalents							
Due from other funds	\$ -	\$ -	\$ -	\$ -	\$ 8	\$ -	\$ 8
Restricted assets:							
Cash and cash equivalents	4,711,444	6,014,256	-	-	2,070,174	1,979,445	14,775,319
Investments	10,695,998	15,880,199	38,327,255	1,695,082	-	2,087,609	68,686,143
	732,000	-	-	8,277,000	-	-	9,009,000
Total assets	\$ 16,139,442	\$ 21,894,455	\$ 38,327,255	\$ 9,972,082	\$ 2,070,182	\$ 4,067,054	\$ 92,470,470
<b>LIABILITIES AND FUND BALANCES</b>							
Accrued payroll and other							
Due to other funds	\$ -	\$ -	\$ 2,000	\$ -	\$ -	\$ -	\$ 2,000
	4,693,297	-	38,303,835	170,342	-	-	43,167,474
Total liabilities	\$ 4,693,297	\$ -	\$ 38,305,835	\$ 170,342	\$ -	\$ -	\$ 43,169,474
Fund balances:							
Reserved for:							
Debt service	6,734,701	15,880,199	21,420	9,801,740	8	4,067,054	36,505,122
Related assets	4,711,444	6,014,256	-	-	2,070,174	-	12,795,874
Total fund balances	\$ 11,446,145	\$ 21,894,455	\$ 21,420	\$ 9,801,740	\$ 2,070,182	\$ 4,067,054	\$ 49,300,996
Total liabilities and fund balances	\$ 16,139,442	\$ 21,894,455	\$ 38,327,255	\$ 9,972,082	\$ 2,070,182	\$ 4,067,054	\$ 92,470,470

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Governmental Funds - Debt Service Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances Year Ended September 30, 2004

AS/400 Fund Numbers	226 Limited Obligation Highway Improvement Bonds	354 Limited Obligation Infrastructure Improvement Bonds	355 Water Systems Revenue Bond	357 General Obligation Bond Series A 1993	358 General Obligation Bond Series A 1994	359 General Obligation Bond Series A 1995	Total
Revenues:							
Use of money and property	\$ 5,738	\$ 11,569	\$ 57,102	\$ 9,969	\$ -	\$ 4,659	\$ 89,037
Total revenues	5,738	11,569	57,102	9,969	-	4,659	89,037
Expenditures:							
Debt service:							
Principal retirement	4,120,000	4,085,000	7,227,503	5,640,000	-	15,960,000	37,032,503
Interest and fiscal charges	1,907,181	3,254,037	3,914,390	6,885,476	-	2,052,708	18,013,792
Total expenditures	6,027,181	7,339,037	11,141,893	12,525,476	-	18,012,708	55,046,295
Deficiency of revenues under expenditures	(6,021,443)	(7,327,468)	(11,084,791)	(12,515,507)	-	(18,008,049)	(54,957,258)
Other financing sources (uses):							
Transfers in from other funds	8,385,000	8,370,000	11,106,211	12,657,570	-	17,998,200	58,516,981
Transfers out to other funds	(518,912)	-	-	-	-	-	(518,912)
Total other financing sources (uses), net	7,866,088	8,370,000	11,106,211	12,657,570	-	17,998,200	57,998,069
Net change in fund balances	1,844,645	1,042,532	21,420	142,063	-	(9,849)	3,040,811
Fund balances at beginning of year	9,601,500	20,851,923	-	9,659,677	2,070,182	4,076,903	46,260,185
Fund balances at end of year	\$ 11,446,145	\$ 21,894,455	\$ 21,420	\$ 9,801,740	\$ 2,070,182	\$ 4,067,054	\$ 49,300,996

See Accompanying Independent Auditors' Report.

**GOVERNMENT OF GUAM**

Statement of Fiduciary Net Assets  
Fiduciary Funds - Pension Trusts  
September 30, 2004

	<u>Defined Benefit</u>	<u>Defined Contribution</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 4,707,675	\$ 1,860,074	\$ 6,567,749
Investments at fair value:			
Common stocks	590,471,874	-	590,471,874
U.S. Government securities	280,041,882	-	280,041,882
Corporate bonds and notes	272,326,917	-	272,326,917
Money market funds	38,729,970	-	38,729,970
Mutual funds	-	99,947,628	99,947,628
DC plan forfeitures	-	6,148,708	6,148,708
Total investments	<u>1,181,570,643</u>	<u>106,096,336</u>	<u>1,287,666,979</u>
Accounts receivable:			
Employer contributions, net	18,331,507	840,476	19,171,983
Member contributions	6,922,201	168,499	7,090,700
Interest and penalties on contributions	4,299,453	-	4,299,453
Accrued investment income	5,618,196	-	5,618,196
Due from brokers for unsettled trades	9,467,943	-	9,467,943
Notes receivable - service credits	7,635,763	-	7,635,763
Notes receivable - ERIP	11,115,954	-	11,115,954
Receivable-ERIP employer's share	12,625,667	-	12,625,667
Supplemental/COLA benefits	99,296,144	-	99,296,144
Supplemental/Insurance benefits advanced	4,604,359	-	4,604,359
Other	2,582,849	140,186	2,723,035
Due from DC plan	419,722	-	419,722
Total receivables	<u>182,919,758</u>	<u>1,149,161</u>	<u>184,068,919</u>
Capital assets	<u>1,352,815</u>	<u>-</u>	<u>1,352,815</u>
Total assets	<u>1,370,550,891</u>	<u>109,105,571</u>	<u>1,479,656,462</u>
<u>LIABILITIES</u>			
Deferred revenue	31,377,384	-	31,377,384
Accounts payable and accrued expenses	2,557,836	2,174,177	4,732,013
Due to DB plan	-	419,722	419,722
Due to brokers for unsettled trades	7,442,975	-	7,442,975
Total liabilities	<u>41,378,195</u>	<u>2,593,899</u>	<u>43,972,094</u>
<u>NET ASSETS</u>			
Held in trust for retirement benefits	\$ <u>1,329,172,696</u>	\$ <u>106,511,672</u>	\$ <u>1,435,684,368</u>

See Accompanying Independent Auditors' Report

# GOVERNMENT OF GUAM

## Statement of Changes in Fiduciary Net Assets Fiduciary Funds - Pension Trusts Year Ended September 30, 2004

	Defined Benefit	Defined Contribution	Total
Additions:			
Contributions:			
Employer	\$ 61,561,461	\$ 7,395,927	\$ 68,957,388
Member	20,176,135	7,442,484	27,618,619
Total contributions	81,737,596	14,838,411	96,576,007
Net investment income:			
Net appreciation in fair value of investments	72,376,615	3,989,230	76,365,845
Interest	31,092,905	2,190,804	33,283,709
Dividends	11,396,669	-	11,396,669
Other	1,522,685	418,697	1,941,382
Total investment income	116,388,874	6,598,731	122,987,605
Less: investment expenses	3,350,907	-	3,350,907
Net investment income	113,037,967	6,598,731	119,636,698
Total additions	194,775,563	21,437,142	216,212,705
Deductions:			
Benefits	156,745,731	-	156,745,731
Refunds	12,122,904	5,973,666	18,096,570
Balance transfer to DC plan	1,789,948	(1,789,948)	-
Administrative and general expenses	2,599,657	1,260,502	3,860,159
Total deductions	173,258,240	5,444,220	178,702,460
Change in net assets	21,517,323	15,992,922	37,510,245
Net assets at beginning of year	1,307,655,373	90,518,750	1,398,174,123
Net assets at end of year	\$ 1,329,172,696	\$ 106,511,672	\$ 1,435,684,368

See Accompanying Independent Auditors' Report

# GOVERNMENT OF GUAM

Combining Statement of Fiduciary Net Assets  
Fiduciary Funds - Private Purpose Trusts  
September 30, 2004

	Superior Court	Public Defender	Supreme Court	Total
<u>ASSETS</u>				
Cash and cash equivalents				
Receivables, net:				
Other	\$ 6,113,039	\$ 13,361	\$ 99,966	\$ 6,226,366
	<u>116,301</u>	<u>-</u>	<u>-</u>	<u>116,301</u>
Total assets	<u>6,229,340</u>	<u>13,361</u>	<u>99,966</u>	<u>6,342,667</u>
<u>LIABILITIES</u>				
Deposits and other liabilities				
Due to other funds	5,321,171	12,513	-	5,333,684
	<u>489,721</u>	<u>-</u>	<u>90,790</u>	<u>580,511</u>
Total liabilities	<u>5,810,892</u>	<u>12,513</u>	<u>90,790</u>	<u>5,914,195</u>
<u>NET ASSETS</u>				
Held in trust for other purposes	\$ <u>418,448</u>	\$ <u>848</u>	\$ <u>9,176</u>	\$ <u>428,472</u>

See Accompanying Independent Auditors' Report.



# GOVERNMENT OF GUAM

## Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds - Private Purpose Trusts Year Ended September 30, 2004

	Superior Court	Public Defender	Supreme Court	Total
Additions:				
Use of money and property	\$ 170,737	\$ -	270	\$ 171,007
Transfers in from other funds	<u>3,066,133</u>	<u>-</u>	<u>-</u>	<u>3,066,133</u>
Total additions	<u>3,236,870</u>	<u>-</u>	<u>270</u>	<u>3,237,140</u>
Deductions:				
Individual and collective rights	<u>2,858,518</u>	<u>-</u>	<u>-</u>	<u>2,858,518</u>
Total deductions	<u>2,858,518</u>	<u>-</u>	<u>-</u>	<u>2,858,518</u>
Changes in net assets	378,352	-	270	378,622
Net assets at beginning of year	<u>40,096</u>	<u>848</u>	<u>8,906</u>	<u>49,850</u>
Net assets at end of year	<u>\$ 418,448</u>	<u>\$ 848</u>	<u>\$ 9,176</u>	<u>\$ 428,472</u>

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

Nonmajor Component Units  
Combining Statement of Net Assets  
September 30, 2004

## ASSETS

### Current assets:

	Guam Community College	Guam Housing and Urban Renewal Authority	Guam Housing Corporation	Port Authority of Guam	Guam Economic Development and Commerce Authority	Guam Visitors Bureau	Guam Educational Telecomm- unications Corporation	Total
Cash and cash equivalents	\$ 9,035,328	\$ 2,682,068	\$ 3,477,473	\$ 11,153,043	\$ 100,789	\$ 1,130,296	\$ 854,839	\$ 28,433,836
Time certificates of deposit	-	4,760,920	-	4,000,000	-	470,074	-	9,230,994
Investments	-	-	-	-	939,728	-	-	939,728
Receivables, net	2,452,654	1,699,515	4,527,590	3,339,078	1,492,272	13,000,766	29,100	26,540,975
Due from primary government	154,321	-	-	-	-	-	-	154,321
Inventories	128,738	146,217	36,042	228,467	14,309	-	-	553,773
Prepayments	796	5,500,746	9,409	-	509	124,849	-	5,636,309
Restricted assets:								
Cash and cash equivalents	1,338,524	1,556,960	4,537,242	-	1,495,923	-	-	8,928,649
Time certificates of deposit	-	602,908	-	-	-	-	-	602,908
Investments	6,581,918	-	6,081,046	-	2,200,201	-	-	14,863,165
Receivables	-	-	419,417	-	-	-	-	419,417
Total current assets	19,692,279	16,949,334	19,088,219	18,720,588	6,243,731	14,725,985	883,939	96,304,075
Noncurrent assets:								
Investments	1,740,000	-	-	-	3,500	-	-	1,743,500
Receivables, net	600,000	-	23,513,265	-	18,626	-	-	24,131,891
Capital assets, net of accumulated depreciation	7,742,883	35,846,621	6,275,115	42,324,090	2,323,370	7,678,455	632,012	102,822,546
Deferred bond issuance costs	-	-	-	-	668,543	-	-	668,543
Other assets	-	639,504	14,899,179	-	325,000	-	367,346	16,231,029
Restricted assets:								
Receivables	-	-	2,079,326	-	-	-	-	2,079,326
Total noncurrent assets	10,082,883	36,486,125	46,766,885	42,324,090	3,339,039	7,678,455	999,358	147,676,835
Total assets	\$ 29,775,162	\$ 53,435,459	\$ 65,855,104	\$ 61,044,678	\$ 9,582,770	\$ 22,404,440	\$ 1,883,297	\$ 243,980,910

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Nonmajor Component Units Combining Statement of Net Assets, Continued September 30, 2004

### LIABILITIES AND NET ASSETS

	Guam Community College	Guam Housing and Urban Renewal Authority	Guam Housing Corporation	Port Authority of Guam	Guam Economic Development and Commerce Authority	Guam Visitors Bureau	Guam Educational Telecomm- unications Corporation	Total
<b>Current liabilities:</b>								
Current portion of long-term debt	\$ 129,055	\$ 26,253	\$ 683,905	\$ -	\$ 534,070	\$ -	\$ -	\$ 1,373,283
Accounts payable	539,851	3,579,541	10,901,420	1,466,792	1,243,490	2,194,305	87,667	20,013,066
Accrued payroll and other	-	798,523	-	611,532	446,315	1,405,801	22,692	3,284,863
Payable to federal agencies	-	-	-	-	-	-	800,133	800,133
Deferred revenue	1,177,833	713,949	2,300	-	186,276	-	21,529	2,101,887
Compensated absences	207,951	282,459	78,940	796,000	-	-	19,119	1,384,469
Deposits and other liabilities	-	1,159,748	683,280	8,503,581	39,468	-	-	10,386,077
<b>Total current liabilities</b>	<b>2,054,690</b>	<b>6,560,473</b>	<b>12,349,845</b>	<b>11,377,905</b>	<b>2,449,619</b>	<b>3,600,106</b>	<b>951,140</b>	<b>39,343,778</b>
<b>Noncurrent liabilities:</b>								
Compensated absences	327,917	-	85,922	138,025	-	106,569	37,284	695,717
Noncurrent portion of long-term debt	2,870,945	1,588,145	14,126,398	-	24,964,530	-	-	43,550,018
Deposits	269,338	-	-	-	6,844	-	-	276,182
Other noncurrent liabilities	-	85,225	979,159	-	-	-	-	1,064,384
Accrued unfunded retirement liability	229,732	-	244,129	3,244,602	253,186	442,449	-	4,414,098
<b>Total noncurrent liabilities</b>	<b>3,697,932</b>	<b>1,673,370</b>	<b>15,435,608</b>	<b>3,382,627</b>	<b>25,224,560</b>	<b>549,018</b>	<b>37,284</b>	<b>50,000,399</b>
<b>Total liabilities</b>	<b>5,752,622</b>	<b>8,233,843</b>	<b>27,785,453</b>	<b>14,760,532</b>	<b>27,674,179</b>	<b>4,149,124</b>	<b>988,424</b>	<b>89,344,177</b>
<b>Net Assets:</b>								
Invested in capital assets, net of related debt	4,202,643	39,383,583	-	42,324,090	1,921,206	7,678,455	632,012	96,141,989
Restricted	6,959,037	1,192,010	26,730,182	-	-	-	-	34,881,229
Unrestricted (deficit)	12,860,860	4,626,023	11,339,469	3,960,056	(20,012,615)	10,576,861	262,861	23,613,515
<b>Total net assets</b>	<b>24,022,540</b>	<b>45,201,616</b>	<b>38,069,651</b>	<b>46,284,146</b>	<b>(18,091,409)</b>	<b>18,255,316</b>	<b>894,873</b>	<b>154,636,733</b>
<b>Total liabilities and net assets</b>	<b>\$ 29,775,162</b>	<b>\$ 53,435,459</b>	<b>\$ 65,855,104</b>	<b>\$ 61,044,678</b>	<b>\$ 9,582,770</b>	<b>\$ 22,404,440</b>	<b>\$ 1,883,297</b>	<b>\$ 243,980,910</b>

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

Nonmajor Component Units  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Year Ended September 30, 2004

	Guam Community College	Guam Housing and Urban Renewal Authority	Guam Housing Corporation	Port Authority of Guam	Guam Economic Development and Commerce Authority	Guam Visitors Bureau	Guam Educational Telecomm- unications Corporation	Total
Operating revenues:								
Charges for services	\$ 1,554,902	\$ 239,542	\$ 3,157,764	\$ 25,902,616	\$ 1,952,435	\$ -	\$ -	\$ 32,807,259
Contributions	6,029,651	40,341,285	-	-	-	56,900	899,097	47,326,933
Other	1,811,667	1,176,208	340,960	267,377	1,392,811	10,495	5,695	5,005,213
Total operating revenues	9,396,220	41,757,035	3,498,724	26,169,993	3,345,246	67,395	904,792	85,139,405
Operating expenses:								
Cost of services	18,181,451	30,417,381	922,971	15,898,726	-	-	101,265	65,521,794
Depreciation and amortization	709,232	2,211,824	138,350	2,574,298	168,396	3,331	298,217	6,103,648
General and administrative	2,280,030	11,053,482	1,900,996	5,655,729	1,397,120	10,920,601	1,201,989	34,409,947
Total operating expenses	21,170,713	43,682,687	2,962,317	24,128,753	1,565,516	10,923,932	1,601,471	106,035,389
Operating income (loss)	(11,774,493)	(1,925,652)	536,407	2,041,240	1,779,730	(10,856,537)	(696,679)	(20,895,984)
Nonoperating revenues (expenses):								
Contributions from the primary government	12,528,434	-	-	95,512	728,685	13,446,830	-	26,799,461
Investment income	648,585	68,299	35,433	197,154	121,521	-	-	1,070,992
Interest expense	-	(101,819)	-	-	(1,445,695)	-	-	(1,547,514)
Other income (expenses), net	(450,352)	(1,337)	65,964	(451,402)	(469,981)	(104,595)	498,634	(913,069)
Total nonoperating revenues (expenses), net	12,726,667	(34,857)	101,397	(158,736)	(1,065,470)	13,342,235	498,634	25,409,870
Net income (loss) before capital contributions	952,174	(1,960,509)	637,804	1,882,504	714,260	2,485,698	(198,045)	4,513,886
Capital grants from the United States government	-	2,098,049	-	-	-	-	-	2,098,049
Increase (decrease) in net assets	952,174	137,540	637,804	1,882,504	714,260	2,485,698	(198,045)	6,611,935
Net assets at beginning of year	23,070,366	45,064,076	37,431,847	44,401,642	(18,805,669)	15,769,618	1,092,918	148,024,798
Net assets at end of year	\$ 24,022,540	\$ 45,201,616	\$ 38,069,651	\$ 46,284,146	\$ (18,091,409)	\$ 18,255,316	\$ 894,873	\$ 154,636,733

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Statement of Net Assets Primary Government September 30, 2004

(with comparative totals as of September 30, 2003)

	2004	2003
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 53,968,701	\$ 58,018,077
Time certificates of deposit	1,000,718	1,000,718
Investments	8,120,000	-
Receivables, net:		
Taxes	29,828,260	56,351,090
Federal agencies	28,841,942	15,775,202
Other	6,618,210	14,132,539
Due from private purpose trusts	580,511	2,865,642
Inventories	583,403	23,597,350
Prepayments	424,310	-
Other current assets	4,143,586	882,356
Restricted assets:		
Cash and cash equivalents	106,911,106	115,171,763
Investments	9,527,793	6,230,000
Total current assets	<u>250,548,540</u>	<u>294,024,737</u>
Noncurrent assets:		
Receivables, net	-	1,453,940
Capital assets, net of accumulated depreciation	691,343,343	694,468,275
Deferred charges	2,564,553	2,930,917
Total noncurrent assets	<u>693,907,896</u>	<u>698,853,132</u>
Total assets	<u>\$ 944,456,436</u>	<u>\$ 992,877,869</u>
<u>LIABILITIES</u>		
Current liabilities:		
Bank overdraft	\$ 4,192,731	\$ 2,392,503
Current portion of long-term obligations	39,429,243	37,533,511
Accounts payable	58,611,378	69,501,106
Accrued payroll and other	33,829,579	32,456,556
Accrued interest payable	6,127,958	6,559,953
Tax refunds	236,179,340	253,678,677
Payable to federal agencies	15,609,828	13,889,559
Due to component units	7,302,066	9,772,525
Deferred revenue	51,322,101	55,145,919
Deposits and other liabilities	16,039,421	31,642,000
Compensated absences payable	5,455,206	6,793,393
Total current liabilities	<u>474,098,851</u>	<u>519,365,702</u>
Noncurrent liabilities:		
Compensated absences payable	11,773,681	15,202,047
Tax refunds	4,206,046	-
Unfunded pension liability	78,798,674	52,326,253
Long-term obligations, net of current portion	290,841,920	330,763,123
Due to component units	20,902,447	19,182,718
Other noncurrent liabilities	16,641,000	16,641,000
Total noncurrent liabilities	<u>423,163,768</u>	<u>434,115,141</u>
Total liabilities	<u>897,262,619</u>	<u>953,480,843</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	436,097,699	425,614,417
Restricted for:		
Capital projects	45,556,358	53,755,135
Retirement of indebtedness	30,377,164	37,630,058
Other purposes	30,714,064	28,258,415
Unrestricted	(495,551,468)	(505,860,999)
Total net assets	<u>47,193,817</u>	<u>39,397,026</u>
Total liabilities and net assets	<u>\$ 944,456,436</u>	<u>\$ 992,877,869</u>

See Accompanying Independent Auditors' Report.

# GOVERNMENT OF GUAM

## Schedule of Other Financing Sources (Uses) - Governmental Funds Year Ended September 30, 2004

Source/Recipient	Transfers Out	Transfers In
<u>General Fund</u>		
From General Fund to:		
Federal Grants Fund	\$ 19,946,009	\$ -
Firefighter Equipment Replacement Fund	300,000	-
Government Claims Fund	100,863	-
GDOE Federal Grants Fund	965,351	-
Legislature Operations Fund	7,450,945	-
Medically Indigent Program Fund	19,312,987	-
Off-Island Treatment Fund	1,443,322	-
Public Auditor Fund	882,658	-
Public Defender Fund	2,247,419	-
Public Transit Fund	1,050	-
Superior Court Operations Fund	16,455,608	-
Supreme Court of Guam Fund	2,414,782	-
Supplemental Annuity Benefits Fund	6,900,775	-
Typhoon Chataan and Halong Fund	661,572	-
Workers' Compensation Fund	1,506,448	-
Water Systems Revenue Bond Fund	11,106,211	-
General Obligations Bond Series A 1993 Fund	12,657,570	-
General Obligations Bond Series A 1995 Fund	17,998,200	-
To General Fund from:		
Territorial Educational Facilities Fund	-	21,385,340
	<u>\$ 122,351,770</u>	<u>\$ 21,385,340</u>
<u>Federal Grants Assistance Fund</u>		
From Federal Grants Fund to:		
Legislature Operations Fund	\$ 645	\$ -
Public Auditor Fund	2,713	-
To Federal Grants Fund from General Fund	-	19,946,009
	<u>\$ 3,358</u>	<u>\$ 19,946,009</u>

See Accompanying Independent Auditors' Report

# GOVERNMENT OF GUAM

## Schedule of Other Financing Sources (Uses) - Governmental Funds, Continued Year Ended September 30, 2004

Source/Recipient	Transfers Out	Transfers In
<u>Other Governmental Funds</u>		
Special Revenue Funds:		
To General Fund from Territorial Educational Facilities Fund	\$ 21,385,340	\$ -
From Territorial Highway Fund to:		
Highway Limited Obligation Series 2001 Fund	8,385,000	-
University of Guam Capital Improvements Fund	500,000	500,000
From Tourist Attraction Fund to Limited Obligation Infrastructure Improvement Bonds Fund	8,370,000	-
From Superior Court Operations Fund to Superior Court Trust Fund	3,066,133	-
From General Fund to:		
Firefighter Equipment Replacement Fund	-	300,000
GDOE Federal Grants Fund	-	965,351
Government Claims Fund	-	100,863
Legislature Operations Fund	-	7,450,945
Medically Indigent Program Fund	-	19,312,987
Off-Island Treatment Fund	-	1,443,322
Public Auditor Fund	-	882,658
Public Defender Fund	-	2,247,419
Public Transit Fund	-	1,050
Superior Court Operations Fund	-	16,455,608
Supreme Court of Guam Fund	-	2,414,782
Supplemental Annuity Benefits Fund	-	6,900,775
Typhoon Chataan and Halong Fund	-	661,572
Workers' Compensation Fund	-	1,506,448
From Federal Grants Assistance Fund to:		
Legislature Fund	-	645
Public Auditor Fund	-	2,713
To Mental Health and Substance Abuse Fund from Youth Tobacco Education and Prevention Fund	439,496	439,496
From Judicial Building Fund to Superior Court Operations Fund	-	475,203
From Limited Onligations Highway Improvement Bonds Fund to Village Streets Fund	-	518,912
Capital Projects Funds:		
From Judicial Building Fund to Superior Court Operations Fund	475,203	-
Debt Service Funds:		
From Limited Onligations Highway Improvement Bonds Fund to Village Streets Fund	518,912	-
To Highway Limited Obligation Series 2001 Fund from Territorial Highway Fund	-	8,385,000
To Limited Obligation Infrastructure Improvement Bonds Fund from Tourist Attraction Fund	-	8,370,000
From General Fund to:		
Water Systems Revenue Bond Fund	-	11,106,211
General Obligations Bond Series A 1993 Fund	-	12,657,570
General Obligations Bond Series A 1995 Fund	-	17,998,200
	<u>\$ 43,140,084</u>	<u>\$ 121,097,730</u>

See Accompanying Independent Auditors' Report

# GOVERNMENT OF GUAM

## Schedule of Personnel Count Years Ended September 30, 2004 and 2003

Department	2004	2003
Agency for Human Resources Development	197	121
Ancestral Lands Commission	3	3
Bureau of Budget and Management Research	19	20
Bureau of Statistics and Plans	35	38
Chamorro Land Trust	12	1
Chamorro Land Trust Commission	3	12
Civil Service Commission	4	14
Customs and Quarantine	138	137
Department of Administration	80	145
Department of Agriculture	1	102
Department of Chamorro Affairs	11	12
Department of Commerce	207	1
Department of Corrections	184	205
Department of Education	3,868	3,687
Department of Integrated Services for Individuals with Disabilities	156	24
Department of Labor	46	247
Department of Land Management	100	45
Department of Law - Attorney General	420	103
Department of Mental Health and Substance Abuse	131	112
Department of Military Affairs	41	39
Department of Parks and Recreation	75	81
Department of Public Health and Social Services	376	359
Department of Public Works	86	427
Department of Revenue and Taxation	155	138
Department of Youth Affairs	24	73
Governor's Office	3	159
Guam Council on the Arts and Humanities Agency	150	5
Guam Educational and Telecom. Corporation - KGTF	10	10
Guam Election Commission	7	3
Guam Energy Office	54	7
Guam Environmental Protection Agency	299	49
Guam Fire Department	4	309
Guam Legislature	106	144
Guam Museum	324	4
Guam Occupational Information Coordinating Committee	1	2
Guam Police Department	15	307
Guam Public Library System	1	14
Mayors' Council of Guam	184	183
Medical Examiner	11	2
Office of I Segundu Na Maga'Lahen Guahan	19	-
Office of the Public Auditor	12	10
Public Defender	39	38
Superior Court of Guam	290	304
	7,901	7,696

See Accompanying Independent Auditors' Report





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July 11, 2005

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
Post Office Box 884  
Hagatna, Guam 96910

Dear Ms. Perez:

In planning and performing our audit of the general purpose financial statements of the Government of Guam (GovGuam) for the year ended September 30, 2004, on which we have issued our report dated July 11, 2005, which report was qualified due to our inability to audit tax-related balances and due to the lack of audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors' Bureau – Component Units, we developed the following recommendations concerning certain matters related to GovGuam's internal control and certain observations and recommendations on other accounting, administrative and operating matters. Our principal recommendations are summarized below:

Finding-No. 1 – Capital Projects Fund

Criteria: Funds should be periodically evaluated for proper presentation and fund validity.

Condition: The "PUAG CIP Fund" appears to have had no activity for five or more fiscal years.

Cause: There appears to be weak internal controls over maintaining and updating fund validity.

Effect: This condition may result in a potential misstatement of account balances.

Prior Year Status: This condition is reiterative of prior year findings.

Recommendation: The auditee should strengthen internal controls over maintaining and updating fund validity.

Auditee Response and Corrective Action Plan: The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

Ms. Lourdes Perez  
 Director  
 Department of Administration  
 Government of Guam  
 July 11, 2005

Page 2

Finding No. 1 – Capital Projects Fund, Continued

Auditee Response and Corrective Action Plan, Continued:

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

Finding No. 2 – Travel

Criteria:

1. The Division of Accounts should consider whether three price quotations should be obtained before awarding a contract for travel. In the event this criterion is not met, a justification memo should be considered.
2. Travelers must submit travel liquidation documents within fifteen days of return.

Condition 1: In seven of twenty-five samples tested, insufficient price quotations may have been obtained. Additionally, the first five listed below did not contain a justification memo.

	<u>TA #</u>	<u>Dept</u>	<u>GL Acct reference No.</u>	<u>DAYS</u>	<u>Travel Period</u>
1	T0406TP0	098 DYA	5101H022010SE107220	5	11/17-21/03
2	T0406TPR0	139 PHSS	5101H031712EI110220	6	12/9-12/03
3	T0406TP0	503 OHS	5101H030280PA108220	1	05/26/04
4	T0406TP0	544 C&Q	5100X953200CQ010220	8	06/14-18/04
5	T0406TP0	611 C&Q	5100X953200CQ010220	11	06/21-25/04
6	T0406TP0	012 ARG1	51014021623EI113220	6	10/3-9/03
7	T0406TP0	082 AGRI	5101E041622CE102220	5	12/26-31/03

Condition 2: In seven (7) of twenty-five samples tested, travel was not cleared within the required period.

NO.	<u>TA #</u>	<u>Dept</u>	<u>Date of Return</u>	<u>DTT calculation 15 days from date of return</u>	<u>Clear Date as per Travel Schedule PBC</u>	<u>No. of Days Lapsed between 15th day of return and clearance date</u>
1	T0406P0	012 AGRI	4-Oct-03	19-Oct-03	08-Apr-04	172 Days
2	T0406TPR0	029 GEPA	31-Oct-03	15-Nov-03	28-Jan-04	74 Days
3	T0406TPR0	139 PHSS	9-Dec-03	24-Dec-03	12/29/2003	5 Days
4	T0406TPR0	391 PHSS	14-May-04	29-May-04	17-Sep-04	111 Days
5	T0406TPR0	435 GEPA	19-May-04	3-Jun-04	Outstanding	Unknown
6	T0406TPR0	475 GEPA	20-May-04	4-Jun-04	17-Jun-04	13 Days
7	T0406TPR0	478 PHSS	11-Jun-04	26-Jun-04	04-Nov-04	131 Days

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 3

Finding No. 2 – Travel, Continued

Cause: The Division of Accounts should reexamine its travel procedures. The potential for acquiring more expensive travel fares than otherwise would result may be due to the amount of lapsed time from release of travel authorization from the Bureau of Budget and Management Resources to the receipt of travel approval by the Department of Administration.

Effect: There is no known effect on the financial statements; however, noncompliance with travel regulations may occur.

Prior Year Status: The above conditions are reiterative of conditions identified in the prior year.

Recommendation: Strengthen internal control to ensure that sufficient documents are obtained in a timely manner and that documents reflect accurate information. We recommend that justification memos include the preparer's identity and position status as well as the supervisor's approval or acknowledgement.

Auditee Response and Corrective Action Plan:

Criteria 1: Three price quotes:

The three price quote rule has been administered because travel authorizations are considered "small purchases" and must follow small purchase procurement policies. Because of the auditors interpretation the focus on resolving this issue had been on finding ways to consistently have three price quotes per travel request.

DOA has maintained that travel authorizations differ from other small purchases in that there are too many uncontrollable variables to consistently provide three price quotes for every TA. On June 2004, DOA and the auditors agreed the government's current financial situation and "temporary suspensions" from participating travel agencies made it difficult to adhere to the three price quote rule 100% of the time. The justification memo was implemented in June 2004 to document the reasons why three price quotes were not obtained for a particular TA and to help prove that effort was made to obtain the price quotes or there was not enough time to complete the task.

DOA acknowledges the findings of the auditors. In addition to the justification memo DOA has asked BBMR to reject TAs that lack three price quotes.

Criteria 2: Travel Liquidations/Advance

DOA concurs with the findings of the auditor. We are waiting for the response from the Attorney General's Office on the legality of withholding payroll checks. Approval from the AG's office will allow DOA to aggressively implement policies to reduce outstanding travel advances and other receivables such as bounced checks and used tax and so on. A follow up memo dated May 5, 2005 has been sent to the AG's office regarding this matter. Additionally, DOA is currently working with BBMR to implement additional policies to address current travel findings.

1. BBMR will reject all travel authorizations that have insufficient price quotes. All travel requests will be sent back to requesting agency.
2. BBMR will not approve travel authorizations for any traveler who has more than 1 outstanding travel records with the government.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 4

Finding No. 2 – Travel, Continued

Auditee Response and Corrective Action Plan, Continued:

BBMR and the DOA will send a circular to all government agencies and departments informing them of these policies.

DOA has sent Department of Administration Circular No. 05-018 to all department heads. Attached to this circular is a listing of outstanding travel authorizations per department.

Finding No. 3 – General Fund – Other Revenues

Criteria: Complete documentation should be maintained in support of general ledger transactions and balances.

Condition: A write-off of \$776,896 was charged to GL110026142-Unidentified Tax Collection Account with no corresponding support on file. This adjustment related to bank account balances no longer in existence dating as far back as Fiscal Year 2000. Audit adjustments were proposed to correctly record the related general ledger balances.

Cause: Certain rollover transactions resulting from the ORACLE conversion to AS400 in FY2002 have remained in the general ledger. These transactions were computer generated and were unsupported.

Effect: Misstatements of related accounts could result from this condition.

Recommendation: Journal entries should be properly supported and reviewed to ensure appropriate general ledger accounts are charged.

Auditee Response and Corrective Action Plan: Documentation substantiating these findings was retrieved and is pending audit review.

Finding No. 4 - Overtime

Criteria: Hours worked should be processed on a timely manner to reflect proper cut-off and to ensure the completeness of recorded liabilities.

Condition: Twenty-five high value overtime amounts were judgmentally selected from the payroll registers. It was noted that all relate to employees under the Department of Corrections for hours worked between fiscal years 2001 and 2003. It was further noted that of the 25 samples tested, 8 samples indicated excessive overtime hours claimed ranging between 80 to 131.5 hours per pay period.

There does not appear to be a policy regarding the timely submission of overtime payment requests. Overtime requests from prior fiscal years are held by department heads until such time that funding is available, causing payroll liabilities to remain unrecorded.

Cause: Due to lack of funding during the fiscal year in which the overtime hours were worked, payment of overtime was held pending availability of funding.

Effect: The effect of this condition is a potential understatement of liabilities.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 5

Finding No. 4 – Overtime, Continued

Recommendation: Requests for supported overtime payments should be submitted the following pay period to ensure recording and processing in a timely manner. This policy should be circulated to all departments to ensure that hours worked are processed in the correct period.

Auditee Response and Corrective Action Plan: A departmental memo has been circulated to all line agencies requesting submission of pertinent documents in support of any pending overtime payments for periods covering Fiscal Years 2004 and prior. We will follow up with reminders to ensure compliance.

Finding No. 5 – Accounts Receivable – Special Revenue

Criteria: A detailed aging report of accounts receivable should be maintained and updated to reflect account validity.

Condition:

For the following accounts, the accounts receivable balance has not changed since the prior year.

<u>Fund</u>	<u>Fund Name</u>	<u>Balance</u>
104	Exxon Overcharge	\$ 78,969
210	Land for the Landless	125,720
237	Government Housing Revolving	99
269	Public Service Recovery	12,445

Cause: There appears to be weak internal controls over ensuring detailed aging reports of accounts receivable are maintained and updated to reflect account validity.

Effect: The condition may result in a potential misstatement of accounts receivable balances.

Prior Year Status: This condition is reiterative of a prior year finding.

Recommendation: The auditee should strengthen internal controls to ensure detailed aging reports of accounts receivable are maintained and updated to reflect account validity.

Auditee Response and Corrective Action Plan: The DOA generally agrees with the cited condition.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 6

Finding No. 6 – Travel Advance (All Funds)

Criteria:

1. Travel advances should be cleared in a timely manner. The provisions of the Travel and Transportation Manual Section 1712.02 Recovery of Advances, require that the Director of Administration (DOA) or his/her designee shall assure liquidation of traveler's advances by filing travel vouchers within fifteen (15) days upon return from travel as prescribed in Section 1715 Travel Voucher.
2. The provisions of the GovGuam Travel and Transportation Manual, Section 1712.02c require that the Director of Administration shall initiate recovery of advances by DOA collection policies and procedures by set off of salary due, retirement credit, or otherwise, from any amount due to the Government of Guam or by such other legal method of recovery as may be necessary.

Condition: As of September 30, 2004, \$1,066,083 was advanced relating to travel for training, health care, or legal matters. Of this amount, \$1,008,525 relates to previous fiscal years summarized as follows:

Department	No. of Advances	Amount Outstanding
PHSS	123	\$ 295,477
GEPA	38	102,433
MHSA	24	77,348
DVR-DISID	20	71,144
AHRD	20	58,017
C&O	9	52,736
Gov Offc	29	52,518
Agriculture	21	49,511
GPD	16	48,837
DPW	15	37,656
DOL	12	35,086
Civil Defense	6	20,896
DRT	6	15,435
Law	7	14,468
OHS	7	13,481
BOP	3	11,542
Lt. Gov Offc	2	11,286
DPR	5	8,626
Corrections	7	7,748
GEO	2	7,732
CMEO	1	3,276
DMA-VA)	1	2,626
DYA	2	1,256
DLM	1	1,090
AG	1	400
Other		<u>7,900</u>
Total		\$ <u>1,008,525</u>

An audit adjustment was proposed to record an allowance for uncollectible advances and reduce travel advances to their net realizable value.

Cause: The Government of Guam appears to have weak enforcement of travel clearance policies and collection policies for outstanding receivables.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 7

Finding No. 6 – Travel Advance (All Funds), Continued

Effect: Receivable balances may be misstated, and cash flows of the Government of Guam may be negatively impacted.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: The Government of Guam should enforce collection policies and stabilize the responsibilities of reconciliation and collections to ensure prompt receipt of overdue amounts. A mechanism to inform the various agencies should be in place to ensure that uncleared accounts are properly communicated.

Auditee Response and Corrective Action Plan: DOA acknowledges the findings of the auditor and is currently working on implementing new policies to help encourage travelers to clear within the 15-day grace period. DOA would like to report that outstanding travel advances per fiscal year has been reduced from 90% to 46% from FY02 to FY03 and down to 9% in FY04. DOA anticipates further reduction in outstanding travel clearances for FY05.

**TRAVEL ADVANCES**

**110012120**

	<b>PRIOR YEARS</b>	<b>FY'02</b>	<b>FY'03</b>	<b>FY'04</b>
TOTAL CHARGES	9,200,797.65	536,776.70	603,034.53	687,428.40
TOTAL CLEARANCES	8,664,532.92	283,243.15	414,338.15	627,978.55
A/R BALANCE	536,264.73	253,533.55	188,696.38	59,449.85
	6%	90%	46%	9%

We are waiting for the response from the Attorney General's Office on the legality of withholding payroll checks. Approval from the AG's office will allow DOA to aggressively implement policies to reduce outstanding travel advances and other receivables such as bounced checks and used tax and so on. A follow up memo dated May 5, 2005 has been sent to the AG's office regarding this matter. Additionally, DOA is currently working with BBMR to implement additional policies to address current travel findings.

1. BBMR will reject all travel authorizations that have insufficient price quotes. All travel requests will be sent back to requesting agency.
2. BBMR will not approve any traveler who has more than 1 outstanding travel records with the government.

BBMR and the DOA will send a circular to all government agencies and departments informing them of these policies. DOA has sent Department of Administration Circular No. 05-018 to all department heads. Attached to this circular is a listing of outstanding travel authorizations per department.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 8

Finding No. 7 – General Fund – Imprest Fund

Criteria: Imprest fund reconciliations are to be prepared on a regular basis.

Condition: At the end of fiscal year 2004, the Treasurer of Guam received remaining portions of petty cash from each department and distributed new checks for the total annual petty cash amount without reconciling the funds.

Cause: Preparation of imprest fund reconciliations were not properly monitored.

Effect: There appears to be weak controls over the accountability of imprest funds. Proposed adjustments were deemed unnecessary due to the immateriality of the potential effect on the financial statements.

Recommendation: ~~We recommend that imprest fund reconciliations occur at least annually, preferably at fiscal year end.~~

Auditee Response and Corrective Action Plan: The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

Finding No. 8 - Cash

Criteria: Financial statements and bank reconciliations should be prepared on a regular basis.

Condition: The Supreme Court does not prepare financial statements and bank reconciliations.

Cause: There appears to be weak internal controls over ensuring financial statements and bank reconciliations are prepared on a timely basis.

Effect: This condition may result in potential misstatements of the financial statements.

Prior Year Status: The condition is reiterative of prior year audit findings.

Recommendation: The auditee should strengthen internal controls to ensure financial statements and bank reconciliations are prepared on a timely basis.



Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 9

Finding No. 8 – Cash, Continued

Auditee Response and Corrective Action Plan: The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

Finding No. 9 – Use Tax Receivable

Criteria:

1. The subsidiary ledger should support the general ledger balance.
2. Accounts receivable should be monitored for collectibility.

Conditions:

1. The use tax subsidiary ledger balance is \$480,000 greater than the general ledger balance.
2. Eight of eight receivables tested were carryover balances from as far back as 1998. Overall, the use tax receivable account appears to be uncollectible. An audit adjustment was proposed to record an allowance for uncollectible accounts to reduce use taxes receivable to their net realizable value.

Cause: No monitoring activity appears to be present to ensure collectibility of these balances.

Effect: This condition results in a potential misstatement of recorded receivables. In addition, the realizable value of the receivables may be overstated by the amount of account balances unlikely to be collected.

Recommendation: We recommend that a more thorough analysis of the Use Tax receivable account occur to ensure that only valid accounts are carried over.

Auditee Response and Corrective Action Plan: DOA concurs with the findings of the auditor. We are currently analyzing the Use Tax Receivable account to insure that only valid accounts are carried over. Revenue and Tax is currently working with our office to identify businesses that are no longer active in their system.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 10

Finding No. 10 – General Computer Controls

Criteria: General computer controls should focus on management's control of daily functions.

Condition: The following controls are currently not present or are functioning incorrectly:

- Development and Testing of a Disaster Recovery Plan
- Formal Training of IT Staff
- Backup and Retention Policy
- Physical Access to Computer Operations Room
- Anti-Virus Software Policy
- Software and Internet Policy
- Application Change-Control Policy
- Management Review of Application Test Data
- User Request for Application & Database Structure Change Documentation
- Testing of Changes to Application & Database Structure
- Network Systems Performance Management

Cause: There does not appear to be adequate monitoring of the IT function listed above.

Effect: There is a potential for extended system down time and potential system failure due to the lack of written restoration procedures. In addition, the risk of potential fraud is present when system change controls do not exist or are not adequately followed.

Recommendation: We recommend development and implementation of each of the risk controls listed above.

Auditee Response and Corrective Action Plan: The Department of Administration has recently developed and adopted an Enterprise Architecture and Information Technology Strategic Plan, under the guidance of the USDA Graduate School PITI (Pacific Islands Training Initiative) through a US Department of the Interior technical assistant grant. Among the issues addressed in this plan are:

- Disaster Recovery
- IT Staff Training
- Backup and Retention Policy
- Software and Internet Policy
- Application Change Control
- Test Data review
- Application and Database change documentation
- Testing Procedures
- Network management

This Enterprise Architecture and Information Technology Strategic Plan is within DOA's Financial Management Improvement Plan, also under the guidance of and support of USDA-PITI and the Department of the Interior. Policies and procedures are being developed and implemented according to Change Control and Project Management techniques.

With assistance from the Guam Office of Homeland Security, the following are being addressed:

- Anti-Virus and Cyber Security
- Physical Access to the Data Center

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 11

Finding No. 11 – AS/400 Parameter Settings

Criteria: AS/400 Parameter Settings controls should focus on the system's control of daily functions.

Condition: The following controls are currently not present or are functioning incorrectly:

- System Value Settings
  - Redundant User Profiles
  - IBM Supplied User Profiles
  - Assignment of Users to Appropriate User Classes and Special Authorities
  - Access to Production
  - Menu Security
  - AS/400 Audit & History Log Settings
  - Public Object Authority Assignment
  - Access to Sensitive System Commands
  - Public Access to Production Libraries
- 

Cause: There does not appear to be a monitoring activity designed to ensure proper settings and procedures of AS/400 parameter settings as listed above.

Effect: There is a potential system integrity failure due to unauthorized access and unauthorized system changes.

Recommendation: We recommend the development and implementation of each of the risk controls listed above.

Auditee Response and Corrective Action Plan: With DOA's Financial Management Improvement Plan (FMIP), which is also under the guidance of and support of USDA-PITI and the Department of the Interior, policies and procedures are being developed and implemented relative to Change Control and Project Management.

With assistance from the Guam Office of Homeland Security, the following will be addressed:

- Anti-Virus and Cyber Security
- Physical Access to the Data Center

This particular audit finding is being reviewed thoroughly for compliance with the Auditor's recommendations. Upon review, appropriate changes to the Parameter Settings will be made to prevent or mitigate risks.

Finding No. 12 - Encumbrances

Criteria:

- Outstanding encumbrances should be liquidated on a timely basis.
- Amendments to contract agreements should be properly monitored and adjustments to contract amounts should be properly recorded.

Ms. Lourdes Perez  
 Director  
 Department of Administration  
 Government of Guam  
 July 11, 2005

Page 12

Finding No. 12 – Encumbrances, Continued

Conditions:

1. Of 103 samples tested, five outstanding encumbrances as of 09/30/04 were subsequently cancelled.

<u>Encumbrance No.</u>	<u>Account No.</u>	<u>Encumbrance</u>
E041754001	5100AO41754PM006361	\$105,785
Q044200163	5101H034200IB102450	495,896
C020601470	5251D981015CI608230	157,079
C020601472	5251D987800CI605230	88,724
P046A04710	5101B041729MA101230	41,875

The above encumbrances were cancelled as they were no longer valid.

2. Detail tests revealed that of 103 samples tested, twelve outstanding encumbrances had no subsequent payments for in excess of a year and the underlying appropriation lapsed.

<u>Encumbrance No.</u>	<u>Account No.</u>	<u>Encumbrance</u>	<u>Payment</u>	<u>Outstanding over a year</u>
1. C020601360	5100D0215CI602230	\$ 300,000	\$ 58,000	\$ 242,000
2. C990604571	5209A001633CE209233	321,300	0	321,300
3. C020601790	5209A023200GA201233	136,853	0	136,853
4. C980602131	5253A982200TP253230	87,533	0	87,533
5. P026X00191	5404X025100SM502240	68,705	14,490	53,915
6. C020602920	5101H011732EI107280	182,129	0	182,129
7. C980602751	5101F971098IB121450	293,640	79,830	213,809
8. C980602752	5101F971098IB121450	208,026	0	208,026
9. W022200006	5101B022298PA101280	135,000	0	135,000
10. W010900038	5101H000920SE105280	258,000	145,819	112,180
11. C020602920	5101H011732EI107280	305,231	123,101	182,129
12. C030602000	5101H031713EI109280	150,000	22,236	127,763
Total:				\$ <u>2,002,637</u>

The above encumbrances were subsequently cancelled as they were no longer valid.

3. A review of the aging of encumbrance accounts for all funds indicated open encumbrances dated as far back as fiscal year 1988.

<u>Year</u>	<u>Amount</u>
1988	\$ 5,850
1990	41,000
1991	5,053
1994	17,703
1996	215,078
1997	423,280
1999	<u>260,606</u>
Total	\$ <u>968,570</u>

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 13

Finding No. 12 – Encumbrances, Continued

Cause: Long outstanding encumbrances remain open with no review as to their validity.

Effect: An overstatement of encumbrances may result from this condition.

Recommendation:

1. Accounting procedures should include adjustments of invalid encumbrances.
2. Accounting procedures should include review of outstanding encumbrances older than a year to verify their validity.
3. The encumbrances should be reviewed to ensure their validity.

Auditee Response and Corrective Plan: DOA agreed that the above amounts under Conditions 1 and 2 should be unencumbered. DOA adjusted the ledger as of June 16, 2005 to reflect such cancellations.

Condition #1:

Enc No.

E041754001-- \$105,785.86 was cancelled due to FY04 services have been fully paid to GPA.  
P046A04710 -- \$41,876.76 de-enc due to acct had expired 09/30/04.

Condition #2: P026X00191 \$53,915.78 de-enc due to no activity since FY03

Condition #3: 100% of outstanding Purchase Orders FY01-FY03 have been liquidated. FY04 obligations have been liquidated as of Aug 2004 transaction date. I am still in the process of liquidating all (locally funded & local matching) FY04 POs. 100% Federally funded encumbrances possessing expenditure end date 09/30/05 will remain open to that period only.

Finding No. 13 - Appropriation

Criteria: Annual local match appropriations (B type appropriations) should not carryover to the subsequent year, unless the corresponding grant is extended or an encumbrance is recorded before the end of the fiscal year. For accounts with encumbrances, appropriations carried over should only be the corresponding local share.

Condition: Amounts carried over in the local annual match appropriation do not correspond to the amount carried over in the federal grant account. The amount of the local match carryforward should not exceed 50% of the federal program encumbrances that are carried forward. Of 32 continuing appropriations tested, eight samples represented "B" type appropriations. Of the eight samples, we noted this condition existed in the six samples summarized in the table below.

Account	Per GPFS	FY05 AS400	Per Audit	Difference
5100B041729MT950290	\$1,522,545	\$1,522,545	\$355,708	\$1,166,838
5100B041728MT951290	\$ 455,794	\$ 455,794	\$ 12,807	\$ 442,987
5100B041730MT951290	\$ 258,799	\$ 258,799	\$ 0	\$ 258,799
5100B041720MT950290	\$ 314,997	\$ 314,997	\$ 28,197	\$ 286,800
5100B041170MT950290	\$ 162,183	\$ 162,183	\$ 46,882	\$ 115,301
5100B041723MT950290	\$ 180,570	\$ 180,570	\$ 24,953	\$ 155,617

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 14

#### Finding No. 13 – Appropriation, Continued

Cause: The lapse and obligation date of the local match account do not coincide with the dates used in the federal grant account. The lapse and obligation date in the local match account were used to determine the applicable appropriation carried forward. For the above items, the date for local match was "12/31/04"; however, for the federal account, it was "9/30/04." We determined that the federal account date was the accurate date.

Effect: This scenario resulted in a misstatement of continuing appropriations. Furthermore, carrying forward appropriations in excess of the amount encumbered could result in improper expenses in the subsequent period.

Recommendation: Dates used for both federal and local account should be the same as authorized by the grant and be duly approved by the authorized departments to ensure the proper carryover of appropriations.

We understand that expenses charged to local accounts are directly linked to the federal grant accounts, which is system generated. However, a manual journal entry can still be made and be charged to the local account. Although it is a policy of GovGuam to prohibit charging directly to the local account, errors could be made. Hence, as a preventive control, the amount to be carried forward should correspond only to the amount carried forward in the federal grant account. With this in place, less time would be spent monitoring improper JV's made to the local account. Erroneous charges can be easily identified as the ending fund balance at the end of the year would be negative as a result of improper charging.

Auditee Response and Corrective Action Plan: The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

#### Finding No. 14 – Bond Covenant Compliance

Criteria: Bond covenants for the LOB Series 2001 requires that the Government must "furnish financial statements to each major national investment rating service which initially rated any Series of Bonds, and to each Bondholder...within six months after the close of each fiscal year..."

Condition: The Government of Guam has not yet furnished their bond rating agency with the latest copy of their financial statements, audited or otherwise, prepared in accordance with GAAP.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 15

Finding No. 14 – Bond Covenant Compliance, Continued

Cause: There appears to be weak internal controls over ensuring that financial statements are prepared and furnished the bond rating agencies.

Effect: The Government may be in violation of bond covenant requirements.

Prior Year Status: This condition is reiterative of a prior year finding.

Recommendation: The Government should strengthen internal controls to ensure financial statements are prepared and provided the responsible investment rating services.

Auditee Response and Corrective Action Plan: The DOA agrees with this finding. The DOA, in the past has always been providing audited financial statements that were completed after the six months window of submitting financial statements. The DOA, in the future will submit an un-audited financial statements in lieu of an audited version to comply with the bond covenant with the stipulation that the audited financial statements will also be submitted upon completion and availability.

Finding No. 15 - Appropriation

Criteria: Annual local match appropriations (B type appropriations), should not carryover in the subsequent year, unless the corresponding grant is extended or an encumbrance was made before the end of the year. For accounts with encumbrances, corresponding appropriations should be carried over.

Condition: GovGuam did not carryover the appropriation for the encumbrance of the local share for account "5100B031730MT963290 – Support Services MT Account" amounting to \$890,834. This grant is overmatched and as the federal share was already exhausted, all encumbrances should be charged to the local account. As of end of fiscal year 2003, there was still an available balance in this account which lapsed, were allowed to carryover and was applied to another expenditure account in fiscal year 2004, as authorized by public law.

Cause: GovGuam failed to carryover the appropriation.

Effect: This condition resulted in a negative account balance, making the expenditure unfunded as the appropriation was redirected to another expense account in fiscal year 2004. In addition, this also resulted in an overstatement of the amount carried over in FY04 as lapses from FY03.

Recommendation: The Government of Guam should review and monitor the appropriation for encumbrances to ensure such are appropriately funded. As all the encumbrances for federal grants are only recorded in the Fund 101, the corresponding Fund 101 account should also be revisited at the end of the fiscal year, to ensure agreement in both local and federal accounts.

Auditee Response and Corrective Action Plan: As a corrective action, all 5100 local matching accounts, especially the overmatch accounts, will be given an expenditure end date, lapse date, and obligation end date similar to the expenditure end date of the 5101 federal accounts, which means the 90 days liquidation period is included. This will then prompt the AS400 system to carry over the available balances of the local accounts to the next fiscal year thus eliminating the negative balances of the account.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 16

#### Finding No. 16 - Appropriation

Criteria: All expenditures with object codes other than Z and X codes, should have a corresponding appropriation sufficient to cover related expenses.

Condition: GovGuam did not load the appropriation for the account "5100C960201CH001111 - CHI - APPROP RECEIPTS." The appropriation in this account is based on revenue generated by "The Chamorro Heritage Institute". The agency deposited its collections from sales of books and other items to a DOA account; however, the receipt was posted as unidentified collections, and therefore, loading of the appropriation was deferred. In fiscal year 2005, the amount represented as being carried forward as a continuing appropriation was the total of the receipts, less the negative account balance. However, as of report date, it appears that the receipt is not yet identified as no appropriation was loaded in the account.

Cause: ~~The untimely identification of the receipt resulted in the untimely loading of the appropriation.~~

Effect: This condition resulted in a negative balance in the account, making the expenditure unfunded.

Recommendation: All receipts should be timely identified and be posted appropriately to ensure that corresponding expenditures are properly funded.

Auditee Response and Corrective Action Plan: The DOA generally agrees with the cited condition.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

#### Finding No. 17 - Supporting Documentation

Criteria: All expenses should be supported by substantiating documents. Furthermore, such documents should be maintained on file and be made available for review.

Condition: For the following transactions, supporting invoices were not provided to substantiate related expenses.



Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 17

Finding No. 17 – Supporting Documentation, Continued

Condition, Continued:

Account No.	Tran Code	Transaction Date	TNO Batch	Vendor	Amount
5202C049967SE202361	190	09/22/2004	9446	G0767401	\$ 600,000
5202C049967SE202361	190	04/22/2004	110281	G0767401	\$ 359,689
5293A041722MA293290	190	11/24/2003	102159	G0742101	\$ 499,277
5293A041722MA293290	190	11/24/2003	102482	G0742101	\$ 500,000
5293A041722MA293290	190	11/24/2003	102970	G0742101	\$ 171,522
5293A041722MA293290	190	09/07/2004	15994	G0742101	\$ 260,531
5293A041722MA293290	190	08/13/2004	9496	G0742101	\$ 318,985

Cause: There appears to be weak internal controls over ensuring proper documentation of expenses.

Effect: This condition may result in potential misstatements of Special Revenue Fund expenses.

Prior Year Status: The condition is reiterative of prior year findings.

Recommendation: The auditee should strengthen internal controls to ensure proper documentation of expenses and the supporting documents should be made available for review.

Auditee Response and Corrective Action Plan: Documentation substantiating these findings were retrieved and are pending audit review.

Finding No. 18 – Appropriation – Accounts with Negative Balances

Criteria: Certain federal grants require exhaustion of the local share first in the initial grant year. The federal share would be utilized in the subsequent year. In the subsequent year, no expenditure should be charged to the local share unless a grant over expenditure occurs.

Condition: Account 5100G032640MT950290 – Basic Support Local Match, is the matching account of a 2-year federal grant (Basic Support), which meets the above criteria. Fiscal year 2004 is the second year of the grant. Therefore, no expenditure should have been charged to the local account as it was already exhausted in fiscal 2003. However, in fiscal year 2004, expenses were still allocated to the local matching account despite the fact that the corresponding federal grant account was not yet fully utilized.

Cause: There was one object code in the federal account that was not updated in the current year and therefore expenses were automatically allocated to the local account.

Effect: The automatic allocation of the expense from the federal account resulted in a negative account balance.

Recommendation: We recommend that a review be performed on this type of account. In addition, negative balances should be periodically monitored and investigated to detect errors at the earliest moment.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 18

Finding No. 18 – Appropriation – Accounts with Negative Balances, Continued

Auditee Response and Corrective Action Plan: As a corrective action, after the last day authorized by the federal grant to pay a vendor, the grantee will send a memo to DOA requesting that all outstanding encumbrances be liquidated. Then the grantee will send an allotment modification to the Bureau of Budget and Management requesting to remove all existing available funds from the expired grant. All expenses incurred thereafter will go to the unposted section of the AS400. Review will then be done periodically to ensure if the charges are allowable. If so, the grantee will then have to do the modifications necessary for the charges to be posted on the account.

Finding No. 19 – Solid Waste – Accounts Receivable

Criteria: ~~Payments should be applied to individual invoices to reflect correct aging of customer accounts.~~

Condition: Payments received are not being matched against related invoices. This makes it virtually impossible to create an accurate aging of accounts receivable.

Cause: There is no system in place to apply payments to applicable invoices.

Effect: No accurate aging of accounts receivable was created, which would provide an indication of the collectability of the accounts.

Recommendation: A system should be implemented to ensure proper invoicing and application of payments against related invoices.

Auditee Response and Corrective Action Plan: DOA concurs with the findings of the auditor. Our office is actively working with DPW and is planning to re-enforce the billing and collection areas of Tipping fees for both the commercial and residential consumers. Additionally, the public laws are closely being examined to insure that the government has the legal authority to establish and enforce new policies and procedures and outline the responsibilities of the participating vendors.

Finding No. 20 – Supporting Documentation

Criteria: All revenue should be supported by documents substantiating the transaction. Furthermore, supporting documents should be made available for review.

Condition: For the transactions listed below, the supporting information/documents were not provided for review.

Ms. Lourdes Perez  
 Director  
 Department of Administration  
 Government of Guam  
 July 11, 2005

Page 19

Finding No. 20 – Supporting Documentation, Continued

Condition, Continued:

PER AS400					SUBSELECTION			
GL	Tran							
Account	Code	Date	TNO	Amount	Tran Date	Form		Amount
360151603	593	1	212004JD03012104	\$ 90,525	N/A	N/A	N/A	N/A
360251501	593	2	122004J040800273	200,000	N/A	N/A	N/A	N/A
360251501	593	2	232004JD03022304	393,990	2/24/2004	980066099	800084183	\$238,200
360251501	593	3	232004JD03032304	340,040	3/23/2004	980066099	800084183	210,000
360251501	593	4	202004JD03042004	241,500	4/27/2004	980066099	N/A	241,500
360251501	593	9	242004JD05092404	226,970	09/24/04	960000160	2004028292	226,970
324551110	593	5	6 2004JD02050604	73,682	5/05/2004	A040002241	N/A	48,072
320150602	593	10	1 2003J040612663	10,061	N/A	N/A	N/A	N/A

Cause: There appears to be weak internal controls over ensuring proper documentation of revenues.

Effect: This condition may result in potential misstatements of Special Revenue Fund revenues.

Prior Year Status: This condition is reiterative of prior year findings.

Recommendation: The auditee should strengthen internal controls to ensure proper documentation of revenues and the supporting documents should be made available for review.

Auditee Response and Corrective Action Plan: The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 20

Finding No. 21 – Appropriation – Accounts with Negative Balances

Criteria: All expenditures should be properly appropriated.

Condition: A total of \$1,904,942 of accounts containing negative balances were included in the calculation of continuing appropriations, summarized by department, as follows:

Department/Division	Code	Amount
Department of Public Health	1730	\$ 942,555
Pongsona Local Match	293	235,639
Department of Public Health	1725	124,921
DISID	2640	181,058
Department of Public Health	1723	166,428
<del>CHI - APPROP RECEIPTS</del>	<del>201</del>	<del>52,697</del>
Department of Public Health	1755	50,822
Mayors' Council	2816	43,777
Mental Health	2334	34,380
Department of Public Health	1728	32,924
Law	1170	16,376
GEPA	2200	12,354
Mayors' Council	2811	4,889
Military Affairs	3720	2,513
Department of Public Health	1720	1,370
Mayors' Council	2800	1,158
Military Affairs	3730	621
Agriculture	1612	462
Customs and Quarantine	3200	83
Youth Affairs	2010	48
Mayor's Council	2810	45
		<u>\$1,904,942</u>

Cause: The cause of this condition is inadequate monitoring and reconciliation of negative balances.

Effect: Continuing appropriation balances may be materially misstated.

Recommendation: Accounts with negative balances should be reviewed at the end of the year and the disposition should be appropriate.

Auditee Response and Corrective Action Plan: The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

Ms. Lourdes Perez  
Director  
Department of Administration  
Government of Guam  
July 11, 2005

Page 21

Finding No. 21 – Appropriation – Accounts with Negative Balances, Continued

Auditee Response and Corrective Action Plan, Continued:

The Department of Administration hired additional accountants and may need to hire more to have that comfort level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

\* \* \* \* \*

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We have communicated certain matters noted during our audit of the financial statements of the Government of Guam for the year ended September 30, 2004, which we considered to be reportable conditions in our report dated July 11, 2005.

This report is intended solely for the information and use of the management of the Government of Guam and the Office of the Public Auditor of Guam.

We wish to express our appreciation for the cooperation of the staff and management of the Government of Guam during the course of our audit. We would be available to discuss any questions that you may have concerning the above comments at your convenience.

Very truly yours,

*Redwitz & Touche LLP*



**GOVERNMENT OF GUAM**

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**SINGLE AUDIT REPORTS**

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**YEAR ENDED SEPTEMBER 30, 2004**





**GOVERNMENT OF GUAM**  
**SINGLE AUDIT REPORTS**  
**YEAR ENDED SEPTEMBER 30, 2004**

**C O N T E N T S**

	<u><b>PAGE</b></u>
Part I. Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based Upon the Audit Performed in Accordance With <i>Government Auditing Standards</i>	1
Part II. Independent Auditors' Report on Compliance and Internal Control Over Compliance Applicable to Each Major Federal Award Program and on the Schedule of Expenditures of Federal Awards	3
Part III. Schedule of Expenditures of Federal Awards:	
Summary of Schedule of Expenditures of Federal Awards, by Grantor	5
U.S. Department of Agriculture	6
U.S. Department of Commerce	7
U.S. Department of Defense	8
U.S. Department of Housing and Urban Development	9
U.S. Department of the Interior	10
U.S. Department of Justice	11
U.S. Department of Labor	12
U.S. Department of Transportation	13
National Foundation on the Arts and the Humanities	14
U.S. Environmental Protection Agency	15
U.S. Department of Energy	16
U.S. Department of Education	17
U.S. Department of Health and Human Services	18
Corporation for National and Community Service	21
Social Security Administration	22
U.S. Department of Homeland Security	23
Notes to Schedule of Expenditures of Federal Awards	24
Schedule of Major Federal Award Programs	28
Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements	29
Schedule of Findings and Questioned Costs	30
Part IV. Summary of Unresolved Questioned Costs	81



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND COMPLIANCE AND OTHER MATTERS BASED UPON THE AUDIT  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Felix P. Camacho  
Governor  
Government of Guam:

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2004, and have issued our report thereon dated July 11, 2005, which report was qualified due to our inability to audit tax-related balances and to the lack of audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors' Bureau – Component Units. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Government of Guam's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Government of Guam's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 04-24 through 04-30.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 04-24, 04-28, 04-29, and 04-30 to be material weaknesses.


We also noted other matters involving the internal control over financial reporting, which we have reported to management of the Government of Guam in a separate letter dated July 11, 2005.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Government of Guam's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*, which are described in the accompanying Schedule of Findings and Questioned Costs (pages 30 through 80) as finding numbers 04-01, 04-02, 04-03, 04-04, 04-10, 04-14, and 04-17 through 04-24.

We also noted certain immaterial instances of noncompliance that we have reported to management of the Government of Guam in a separate letter dated July 11, 2005.

This report is intended solely for the information and use of the management of the Government of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Deloitte + Touche LLP". The signature is written in a cursive, flowing style.

July 11, 2005

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND INTERNAL CONTROL  
OVER COMPLIANCE APPLICABLE TO EACH MAJOR FEDERAL AWARD PROGRAM  
AND ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Honorable Felix P. Camacho  
Governor  
Government of Guam:

Compliance

We have audited the compliance of the Government of Guam with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2004. The Government of Guam's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs (pages 29 through 80). Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Government of Guam's management. Our responsibility is to express an opinion on the Government of Guam's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Government of Guam's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Government of Guam's compliance with those requirements.

As described in finding numbers 04-01, 04-03, 04-04, 04-06 through 04-17, and 04-21 through 04-24 in the accompanying Schedule of Findings and Questioned Costs, the Government of Guam did not comply with requirements regarding allowable costs/cost principles; cash management; eligibility; equipment and real property management; matching, level of effort, earmarking; procurement and suspension and debarment; and special tests and provisions that are applicable to its major federal programs described in the accompanying Schedule of Major Federal Award Programs (page 28). Compliance with such requirements is necessary, in our opinion, for the Government of Guam to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the Government of Guam complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2004.

## Internal Control Over Compliance

The management of the Government of Guam is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Government of Guam's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the Government of Guam's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying Schedule of Findings and Questioned Costs as finding numbers 04-01 through 04-25.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding numbers 04-03, 04-04, 04-14, 04-19, 04-20, 04-22, 04-23, and 04-24 to be material weaknesses.

## Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of the Government of Guam as of and for the year ended September 30, 2004, and have issued our report thereon dated July 11, 2005, which report was qualified due to our inability to audit tax-related balances and due to the lack of audited financial statements of the Guam Memorial Hospital Authority and the Guam Visitors' Bureau - Component Units. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying Schedule of Expenditures of Federal Awards (pages 5 through 23) is presented for the purpose of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the Government of Guam. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects when considered in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the management of the Government of Guam, the Office of the Public Auditor of Guam, federal awarding agencies, pass-through entities and the cognizant audit and other federal agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

*Deloitte + Touche LLP*

July 11, 2005

# GOVERNMENT OF GUAM

## Summary of Schedule of Expenditures of Federal Awards, by Grantor Year Ended September 30, 2004

Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. Department of Agriculture	\$ (2,719,191) \$	54,084,623 \$	57,561,106 \$	757,292
U.S. Department of Commerce	530,991	1,962,427	1,364,718	(66,718)
U.S. Department of Defense	589,726	1,101,111	1,498,435	987,050
U.S. Department of Housing and Urban Development	217,968	175,460	77,003	119,511
U.S. Department of the Interior	688,308	8,151,562	10,398,563	2,935,309
U.S. Department of Justice	(734,884)	2,658,934	4,355,642	961,824
U.S. Department of Labor	1,419,428	10,049,595	8,835,867	205,700
U.S. Department of Transportation	(967,149)	7,890,221	10,574,002	1,716,632
National Foundation on the Arts and the Humanities	256,601	210,800	243,498	289,299
U.S. Environmental Protection Agency	(859,594)	2,017,361	3,531,037	654,082
U.S. Department of Energy	28,628	268,574	446,768	206,822
U.S. Department of Education	1,238,264	1,224,385	1,367,184	1,381,063
U.S. Department of Health and Human Services	(2,492,553)	24,565,071	32,502,795	5,445,171
Corporation for National and Community Service	126,449	439,078	293,638	(18,991)
Social Security Administration	11,037	14,248	-	(3,211)
U.S. Department of Homeland Security	(660,219)	36,026,029	30,266,795	(6,419,453)
GRAND TOTAL	\$ (3,326,190) \$	150,839,479 \$	163,317,051 \$	9,151,382

Note: All awards are received direct from the Federal agency.

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF AGRICULTURE					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	\$ 4,832	\$ 9,917	\$ 515	\$ (4,570)
10.551	Food Stamps	-	48,115,089	48,115,089	-
10.552	Special Food Service Program for Children	-	(80,214)	-	80,214
10.557	Special Supplemental Food Program for Women, Infants and Children	174,502	4,879,059	6,469,512	1,764,955
10.561	State Administrative Matching Grant for Food Stamp Program	(3,211,296)	319,297	2,184,649	(1,345,944)
10.570	Nutrition Services Incentive	-	249,254	249,254	-
10.572	WIC Farmers' Market Nutrition Program (FMNP)	9,741	(2,917)	21,396	34,054
10.664	Cooperative Forestry Assistance	303,030	595,138	507,183	215,075
10.950	Agricultural Statistics Reports	-	-	13,508	13,508
U.S. DEPARTMENT OF AGRICULTURE TOTAL		\$ (2,719,191)	\$ 54,084,623	\$ 57,561,106	\$ 757,292



**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	U.S. DEPARTMENT OF COMMERCE				
11.002	Census Customer Services	\$ 9,533	\$ 7,048	\$ 8,819	\$ 11,304
11.004	Census Intergovernmental Services	(1,102)	(1,102)	-	-
11.307	Special Economic Development and Adjustment Assistance Program - Sudden and Severe Economic Dislocation and Long-Term Economic Deterioration	99,499	-	-	99,499
11.407	Interjurisdictional Fisheries Act of 1986	17,689	21,563	10,590	6,716
11.419	Coastal Zone Management Administration Awards	327,817	1,345,454	984,420	(33,217)
11.426	Financial Assistance for National Centers for Coastal Ocean Science	77,555	336,540	203,077	(55,908)
11.437	Pacific Fisheries Data Program	-	252,924	157,812	(95,112)
	U.S. DEPARTMENT OF COMMERCE TOTAL	\$ 530,991	\$ 1,962,427	\$ 1,364,718	\$ (66,718)

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF DEFENSE					
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services (DSMOA)	\$ - \$	70,922 \$	184,099 \$	113,177
12.401	National Guard Military Operations and Maintenance (O&M) Projects	589,726	1,030,189	1,314,336	873,873
		<u>589,726 \$</u>	<u>1,101,111 \$</u>	<u>1,498,435 \$</u>	<u>987,050</u>
U.S. DEPARTMENT OF DEFENSE TOTAL					

GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
14.235	Supportive Housing Program	\$ 217,968	\$ 175,460	\$ 77,003	\$ 119,511
	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT TOTAL	\$ 217,968	\$ 175,460	\$ 77,003	\$ 119,511

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
<b>U.S. DEPARTMENT OF THE INTERIOR</b>					
15.000		\$ -	\$ -	\$ -	-
15.601	Animal Damage Control	-	(73,405)	-	73,405
15.605	Sport Fish Restoration	(58,859)	406,037	561,310	96,414
15.611	Wildlife Restoration	(40,091)	222,346	290,774	28,337
15.612	Endangered Species Conservation	-	48,432	185,487	137,055
15.615	Cooperative Endangered Species Conservation Fund	20,976	274,479	278,091	24,588
15.616	Clean Vessel Act	(3,868)	(3,868)	-	-
15.625	Wildlife Conservation and Restoration	-	69,135	18,500	(50,635)
15.634	State Wildlife Grants	-	15,975	15,975	-
15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	483,627	6,694,351	8,626,676	2,415,952
15.904	Historic Preservation Fund Grants-In-Aid	286,523	498,080	421,750	210,193
	<b>U.S. DEPARTMENT OF THE INTERIOR TOTAL</b>	<b>\$ 688,308</b>	<b>\$ 8,151,562</b>	<b>\$ 10,398,563</b>	<b>\$ 2,935,309</b>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
<b>U.S. DEPARTMENT OF JUSTICE</b>					
16.523	Juvenile Accountability Incentive Block Grants	\$ 64,915	\$ 936,897	\$ 862,516	\$ (9,466)
16.541	Juvenile Justice & Delinquency Prevention - Special Emphasis (Program Grants, Discretionary Grants and Contracts)	147,695	250,109	171,577	69,163
16.547	Victims of Child Abuse	4,765	(1)	96	4,862
16.548	Title V - Delinquency Prevention Program	1,217	14,483	17,874	4,608
16.549	Part E - State Challenge Activities	11,579	15,451	3,787	(85)
16.554	National Criminal History Improvement Program (NCHIP)	-	79,688	79,688	-
16.575	Crime Victim Assistance	50,393	302,716	344,606	92,283
16.576	Crime Victim Compensation	6,094	9,076	2,850	(132)
16.579	Byrne Formula Grant Program	211,476	1,606,272	1,038,428	(356,368)
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program	(239,419)	(239,419)	-	-
16.585	Drug Court Discretionary Grant Program	-	112,250	112,250	-
16.588	Violence Against Women Formula Grants	117,293	641,245	564,096	40,144
16.589	Rural Domestic Violence and Child Victimization	116	(9,415)	850	10,381
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders	13,228	13,228	-	-
16.592	Local Law Enforcement Block Grants Program	(917,474)	(51,211)	418,779	(447,484)
16.593	Residential Substance Abuse Treatment for State Prisoners	(19,306)	105,656	155,240	30,278
16.609	Community Prosecution and Project Safe Neighborhoods	-	7,824	12,361	4,537
16.710	Public Safety Partnership and Community Policing Grants	(187,456)	(1,135,915)	570,644	1,519,103
<b>U.S. DEPARTMENT OF JUSTICE TOTAL</b>		<b>\$ (734,884)</b>	<b>\$ 2,658,934</b>	<b>\$ 4,355,642</b>	<b>\$ 961,824</b>

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. DEPARTMENT OF LABOR					
17.002	Labor Force Statistics	\$ 10,467	\$ 25,518	\$ 29,810	\$ 14,759
17.005	Compensation and Working Conditions Data	11,861	47,445	32,551	(3,033)
17.203	Labor Certification for Alien Workers	33,945	99,068	66,180	1,057
17.207	Employment Service	154,642	645,220	678,829	188,251
17.235	Senior Community Service Employment Program	9,946	1,389,042	1,197,781	(181,315)
17.250	Job Training Partnership Act	178,592	843,367	1,097,068	432,293
17.253	Welfare-to-Work Grants to States and Localities	(76,891)	11,116	-	(88,007)
17.258	WIA Adult Program	257,580	257,580	-	-
17.259	WIA Youth Activities	380,776	1,784,169	1,614,226	210,833
17.260	WIA Dislocated Workers	388,367	4,622,613	3,846,143	(388,103)
17.504	Consultation Agreements	70,143	324,457	273,279	18,965
U.S. DEPARTMENT OF LABOR TOTAL		\$ 1,419,428	\$ 10,049,595	\$ 8,835,867	\$ 205,700

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>					
20.205	Highway Planning & Construction	\$ (1,234,378) \$	7,273,450 \$	9,351,442 \$	843,614
20.218	Motor Carrier Safety Assistance Program	15,052	87,668	206,581	133,965
20.509	Formula Grants for Other Than Urbanized Areas	-	-	582,939	582,939
20.600	State & Community Highway Safety	252,177	529,103	433,040	156,114
<b>U.S. DEPARTMENT OF TRANSPORTATION TOTAL</b>		<u>\$ (967,149) \$</u>	<u>7,890,221 \$</u>	<u>10,574,002 \$</u>	<u>1,716,632</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
<b>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES</b>					
45.025	Promotion of the Arts-Partnership Agreements	\$ 50,122 \$	210,800 \$	243,498 \$	82,820
45.310	State Library Program	206,479	-	-	206,479
		<u>\$ 256,601 \$</u>	<u>210,800 \$</u>	<u>243,498 \$</u>	<u>289,299</u>
<b>NATIONAL FOUNDATION ON THE ARTS AND THE HUMANITIES TOTAL</b>					



GOVERNMENT OF GUAM

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
U.S. ENVIRONMENTAL PROTECTION AGENCY					
66.600	Environmental Protection Consolidated Grants - Program Support	\$ (859,594) \$	2,017,361 \$	3,531,037 \$	654,082
	U.S. ENVIRONMENTAL PROTECTION AGENCY TOTAL	\$ (859,594) \$	2,017,361 \$	3,531,037 \$	654,082

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	U.S. DEPARTMENT OF ENERGY				
81.041	State Energy Program	\$ 26,105 \$	268,574 \$	438,477 \$	196,008
81.119	State Energy Program Special Projects	2,523	-	8,291	10,814
	U.S. DEPARTMENT OF ENERGY TOTAL	<u>\$ 28,628 \$</u>	<u>268,574 \$</u>	<u>446,768 \$</u>	<u>206,822</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
<b>U.S. DEPARTMENT OF EDUCATION</b>					
84.009	Education of Children with Disabilities in State Operated or Supported Schools	\$ -	· (111,592)	-	\$ 111,592
84.126	Rehabilitation Services-Vocational Rehabilitation Grants to States	861,497	1,268,184	1,147,549	740,862
84.169	Independent Living - State Grants	34,259	1	15,971	50,229
84.177	Rehabilitation Services - Independent Living Services for Older Individuals Who are Blind	59,470	-	440	59,910
84.186	Safe and Drug-Free Schools and Communities - State Grants	251,546	24,788	203,224	429,982
84.187	Supported Employment Services for Individuals with Severe Disabilities (State Supported Employment Services Program)	994	-	-	994
84.265	Rehabilitation Training: State Vocational Rehabilitation Unit	30,498	43,004	-	(12,506)
<b>U.S. DEPARTMENT OF EDUCATION TOTAL</b>		<u>\$ 1,238,264</u>	<u>\$ 1,224,385</u>	<u>\$ 1,367,184</u>	<u>\$ 1,381,063</u>

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>					
93.041	Special Programs for the Aging - Title VII, Chapter 3 - Programs for Prevention of Elder Abuse, Neglect, and Exploitation (Elder Abuse Prevention)	\$ 22,119	\$ 21,436	\$ 21,436	\$ 22,119
93.042	Special Programs for the Aging: Title VII, Chapter 2: Long Term Care Ombudsman Services for Older Individuals	-	-	1,928	1,928
93.043	Special Programs for the Aging-Title III, Part F - Disease Prevention and Health Promotion Services (State Grants for Disease Prevention and Health Promotion)	28,971	36,482	58,593	51,082
93.044	Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	(2,682,525)	(519,298)	2,142,138	(21,089)
93.045	Special Programs for the Aging - Title III, Part C - Nutrition Services	(1,272,626)	71,496	2,005,700	661,578
93.052	Nation Family Caregiver Support Program	-	319,770	319,770	-
93.053	Nutrition Services Incentive Program	-	(33,748)	-	33,748
93.104	Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED)	83,525	691,333	899,387	291,579
93.110	Maternal and Child Health Federal Consolidated Programs	-	(1,477)	6,097	7,574
93.116	(Special Projects of Regional and National Significance (SPRANS)) Project Grants and Cooperative Agreements for Tuberculosis Control Programs	111,637	513,475	347,287	(54,551)
93.126	Small Business Innovation Research	11,573	41,829	18,683	(11,573)
93.127	Emergency Medical Services for Children (EMS for Children)	203,818	495,675	53,704	(238,153)
93.150	Projects for Assistance in Transition from Homelessness (PATH)	-	-	48,196	48,196
93.217	Family Planning - Services	201,297	281,333	207,647	127,611
93.224	Community Health Centers	357,439	552,544	842,877	647,772
93.235	Abstinence Education	29,623	51,117	12,086	(9,408)
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	-	21,652	101,808	80,156
<b>BALANCE FORWARD</b>					
		\$ (2,905,149)	\$ 2,543,619	\$ 7,087,337	\$ 1,638,569

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
	<b>BALANCE FORWARD</b>	\$ (2,905,149) \$	2,543,619 \$	7,087,337 \$	1,638,569
93.268	Immunization Grants	(7,936)	320,776	397,848	69,136
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	124,185	1,277,995	1,137,763	(16,047)
93.399	Cancer Control	(14,354)	8,125	22,479	-
93.556	Family Preservation and Support Services	(150,917)	(150,917)	-	-
93.558	Temporary Assistance for Needy Families	(1,624,328)	51,939	2,157,384	481,117
93.563	Child Support Enforcement	-	1,869,751	3,042,468	1,172,717
93.575	Child Care and Development Block Grant	-	1,757,240	2,614,234	856,994
93.597	Grants to States for Access and Visitation Programs	(34,272)	17,697	86,385	34,416
93.630	Developmental Disabilities Basic Support and Advocacy Grants	140,712	425,291	254,551	(30,028)
93.631	Developmental Disabilities Projects of National Significance	35,266	104,196	32,261	(36,669)
93.667	Social Services Block Grant	(279,003)	1,483,688	1,846,917	84,226
93.778	Medical Assistance Program (Medicaid; Title XIX)	1,445,452	10,258,240	10,095,029	1,282,241
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations	125,808	58,770	137,842	204,880
93.917	HIV Care Formula Grants	(34,537)	79,670	120,430	6,223
93.919	Cooperative Agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	102,430	(12,988)	1,850	117,268
93.928	Special Projects of National Significance	20,387	47,770	6,996	(20,387)
93.940	HIV Prevention Activities-Health Department Based (HIV Prevention Program)	64,660	183,971	290,405	171,094
93.943	Epidemiologic Research Studies of Acquired Immunodeficiency Syndrome (AIDS) and Human Immunodeficiency Virus (HIV)	-	118,974	163,614	44,640
93.945	Infection in Selected Population Groups Assistance Program for Chronic Disease Prevention and Control	76,773	153,571	13,221	(63,577)
	<b>BALANCE FORWARD</b>	\$ (2,914,823) \$	20,597,378 \$	29,509,014 \$	5,996,813

See accompanying notes to Schedule of Expenditures of Federal Awards.

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
	<b>BALANCE FORWARD</b>	\$ (2,914,823)	\$ 20,597,378	\$ 29,509,014	\$ 5,996,813
93.952	Improving EMS/Trauma Care in Rural Areas	1,493	11,169	9,213	(463)
93.958	Block Grants for Community Mental Health Services (CMHS Block Grant)	42,550	305,281	219,296	(43,435)
93.959	Block Grants for Prevention and Treatment of Substance Abuse (Prevention and Treatment (SAPT) Block Grant)	-	1,182,955	862,843	(320,112)
93.977	Preventive Health Services - Sexually Transmitted Diseases Control Grants	73,434	66,314	70,543	77,663
93.982	Mental Health Disaster Assistance and Emergency Mental Health	-	504,208	504,208	-
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	60,523	329,205	127,860	(140,822)
93.991	Preventive Health and Health Services Block Grant	82,019	211,331	218,571	89,259
93.994	Maternal and Child Health Services Block Grant to the States	162,251	1,357,230	981,247	(213,732)
	<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
	<b>TOTAL</b>	\$ (2,492,553)	\$ 24,565,071	\$ 32,502,795	\$ 5,445,171

**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE				
94.006	AmeriCorps	\$ 126,449 \$	446,904 \$	293,638 \$	(26,817)
94.009	Training and Technical Assistance	-	(7,826)	-	7,826
	CORPORATION FOR NATIONAL AND COMMUNITY SERVICE TOTAL	\$ 126,449 \$	439,078 \$	293,638 \$	(18,991)

# GOVERNMENT OF GUAM

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

<u>CFDA#</u>	<u>Agency/Program</u>	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
	SOCIAL SECURITY ADMINISTRATION				
96.001	Social Security - Disability Insurance	\$ 11,037 \$	14,248 \$	- \$	(3,211)
	SOCIAL SECURITY ADMINISTRATION TOTAL	\$ 11,037 \$	14,248 \$	- \$	(3,211)



**GOVERNMENT OF GUAM**

Schedule of Expenditures of Federal Awards  
Year Ended September 30, 2004

CFDA#	Agency/Program	Accrued (Deferred) Balance at September 30, 2003	Cash Receipts and Adjustments	Federal Expenditures	Accrued (Deferred) Balance at September 30, 2004
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>					
97.004	State Domestic Preparedness Equipment Support Program	\$ 47,782	\$ 603,031	\$ 657,216	\$ 101,967
16.008	State and Local Domestic Preparedness Training Program	-	265,627	325,936	60,309
20.005	Boating Safety Financial Assistance	201,945	(188,045)	81,400	471,390
97.012	Boating Safety Financial Assistance	-	100,863	100,863	-
97.032	Crisis Counseling	(3,546)	(76,252)	-	72,706
83.541	Disaster Unemployment Assistance	123,373	159,908	-	(36,535)
83.542	Fire Suppression Assistance	-	(1,926)	-	1,926
83.543	Individual and Family Grants	-	(54,954)	(54,954)	-
83.544	Public Assistance Grants	(1,121,196)	34,715,880	28,288,374	(7,548,702)
83.548	Hazard Mitigation Grant	-	37,311	44,896	7,585
83.552	Emergency Management Performance Grants	66,559	(188,161)	169,166	423,886
97.042	Emergency Management Performance Grants	-	394,285	394,285	-
97.051	State and Local All Hazards Emergency Operations Planning	-	45,459	28,944	(16,515)
83.563	Emergency Operations Centers	-	144,987	149,500	4,513
97.052	Emergency Operations Centers	-	-	36,555	36,555
83.564	Citizen Corps	24,864	36,310	12,908	1,462
97.053	Citizen Corps	-	31,706	31,706	-
<b>U.S. DEPARTMENT HOMELAND SECURITY TOTAL</b>		<b>(660,219)</b>	<b>36,026,029</b>	<b>30,266,795</b>	<b>(6,419,453)</b>
<b>GRAND TOTAL</b>		<b>\$ (3,326,190)</b>	<b>\$ 150,839,479</b>	<b>\$ 163,317,051</b>	<b>\$ 9,151,382</b>

Note: Effective March 1, 2003, certain programs became part of the Department of Homeland Security (CFDA number prefix of 97). However, since funding periods may not coincide with the change in CFDA number, the legacy agency's corresponding CFDA number is presented separately.

# GOVERNMENT OF GUAM

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

### 1. Scope of Audit:

The Government of Guam is a governmental entity established by the 1950 Organic Act of Guam, as amended, and has the powers of a body corporate, as defined in the act and local statutes. All significant operations of the Government of Guam are included within the scope of the audit. The U.S. Department of Health and Human Services has been designated as the Government of Guam's cognizant agency for the Single Audit.

#### Programs Subject to Single Audit:

The Schedule of Expenditures of Federal Awards presents each Federal program related to the following agencies:

- Corporation for National and Community Service
- U.S. Department of Agriculture
- U.S. Department of Commerce
- U.S. Department of Defense
- U.S. Department of Education
- U.S. Department of Energy
- U.S. Department of Health and Human Services
- U.S. Department of Housing and Urban Development
- U.S. Department of the Interior
- U.S. Department of Justice
- U.S. Department of Labor
- U.S. Department of Transportation
- U.S. Environmental Protection Agency
- National Foundation on the Arts and the Humanities
- Social Security Administration
- U.S. Department of Homeland Security

### 2. Summary of Significant Accounting Policies:

#### a. Basis of Accounting:

For the purposes of this report, cash receipts relate to all cash derived from the federal agencies for programs within the Catalog of Federal Domestic Assistance. Also, cash receipts include adjustments from the Government of Guam. Cash receipts do not include receipts related to program income. The Government of Guam has not allocated interest income that may have been earned in part from cash received from federal programs. Indirect costs claimed by the Government of Guam from federal agencies are deducted from cash receipts and reimbursements.

All expenditures and capital outlays that represent the federal share are reported as expenditures. Expenditures are recognized on the modified accrual basis of accounting, consistent with the manner in which the Government of Guam maintains its accounting records. This includes earned reimbursements under different formula grants and entitlement programs that are accounted for as revenues in the General Fund of the Government of Guam and the dollar value of food stamp coupons issued during the period.

# GOVERNMENT OF GUAM

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

### 2. Summary of Significant Accounting Policies, Continued:

#### b. Subgrants:

Certain program funds are passed through the Government of Guam to subrecipient organizations. The Schedule of Expenditures of Federal Awards does not contain separate schedules disclosing how the subrecipient outside of the Government of Guam's control utilized the funds. Federal awards provided to subrecipients are treated as expenditures when paid to the subrecipient. The following is a summary of subrecipient organizations to which Federal funds in excess of \$500,000 are passed through:

Subrecipient Organization	CFDA Number	2004 Amount of Pass-through
Guam Power Authority	83.544	\$ <u>13,268,745</u>
Guam Department of Education	83.544 93.575	\$ 9,424,488 243,718 \$ <u>9,668,206</u>
GovGuam Association of Retired Persons	93.044 93.043 83.544	\$ 3,586,901 124,713 27,457 \$ <u>3,739,071</u>
Guam Memorial Hospital Authority	15.875 83.544	\$ 3,537,084 401,744 \$ <u>3,938,828</u>
Catholic Social Services	93.044 93.045 16.588	\$ 2,988,209 335,576 9,011 \$ <u>3,332,796</u>
University of Guam	93.052 83.544 11.426 15.612 93.575 10.664 15.611	\$ 470,504 265,778 149,516 92,500 80,897 50,000 32,000 \$ <u>1,141,195</u>
Guam International Airport Authority	83.544	\$ <u>912,908</u>

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

#### 2. Summary of Significant Accounting Policies, Continued:

##### c. Cost Allocation:

The Government of Guam has a plan for allocation of common costs related to public health and social services federal awards programs. The amounts allocated to 2004 grant programs are based on 2004 actual expenditures and caseloads.

As of the date of this report, for FY 2004, there is no approved indirect cost negotiation agreement.

#### 3. Reporting Entity:

The Government of Guam, for the purposes of the Schedule of Expenditures of Federal Awards, includes all the funds of the primary government as defined by GASB 14. It does not include the following component units of the Government of Guam:

- Government of Guam Retirement Fund
- Guam Community College
- Guam Economic Development and Commerce Authority
- Guam Educational Telecommunications Corporation
- Guam Housing and Urban Renewal Authority
- Guam Housing Corporation
- Guam International Airport Authority
- Guam Memorial Hospital Authority
- Guam Power Authority
- Guam Rental Corporation
- Guam Telephone Authority
- Guam Visitors Bureau
- Guam Waterworks Authority
- Port Authority of Guam
- University of Guam

These component units may receive federal awards. If awards are expended, these entities separately satisfy the audit requirements if applicable.

Also, for the purposes of the Schedule of Expenditures of Federal Awards, it does not include the Guam Department of Education, a component of the Government of Guam's General Fund, which separately satisfies the audit requirements.

The Government of Guam administers certain federal awards programs through subrecipients. Those subrecipients are also not considered part of the Government of Guam reporting entity.

## GOVERNMENT OF GUAM

### Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2004

4. Noncash Awards:

Certain federal awards programs do not involve cash awards to the Government of Guam. These programs generally could include donated commodities, insurance, food stamps, and loans. For the year ended September 30, 2004, the Government of Guam had the following noncash award:

U.S. Department of Agriculture Food Stamps CFDA #10.551	
Food coupons and EBT benefits issued and redeemed	\$ <u>48,115,089</u>
Total Food Stamps reported on the Schedule of Expenditures of Federal Awards	\$ <u>48,115,089</u>

# GOVERNMENT OF GUAM

## Schedule of Major Federal Award Programs Year Ended September 30, 2004

The following lists specific grants selected for detailed compliance testing in accordance with OMB Circular A-133 requirements.

<u>Grantor</u>	<u>CFDA #</u>	<u>Program Name</u>	<u>Fiscal Year 2004 Expenditures</u>
U.S. Department of Agriculture	10.551	Food Stamps	\$ 48,115,089
	10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	6,469,512
	10.561	State Administrative Matching Grants for Food Stamp Program	2,184,649
U.S. Department of the Interior	15.875	Economic, Social and Political Development of the Territories and the Freely Associated States	8,626,676
U.S. Department of Labor	17.258	WIA Adult Program	-
	17.259	WIA Youth Activities	1,614,226
	17.260	WIA Dislocated Workers	3,846,143
U.S. Department of Transportation	20.205	Highway Planning and Construction	9,351,442
U.S. Environmental Protection Agency	66.600	Environmental Protection Consolidated Grants: Program Support	3,531,037
U.S. Department of Health and Human Services	93.563	Child Support Enforcement (CSE)	3,042,468
	93.778	Medical Assistance Program (Medicaid)	10,095,029
	93.994	Maternal and Child Health Services Block Grant to the States	981,247
U.S. Department of Homeland Security	83.544/ 97.036	Public Assistance Grants	<u>28,288,374</u>
Total Federal Programs selected for audit			\$ <u>126,145,892</u>
Total Federal Awards program expenditures			\$ <u>163,317,051</u>
Percentage of Federal Awards Programs tested			<u>77%</u>

## GOVERNMENT OF GUAM

### Reconciliation of Schedule of Expenditures of Federal Awards to Basic Financial Statements Year Ended September 30, 2004

		Fiscal Year 2004 <u>Expenditures</u>
Federal contributions, as reported in the 2004 financial statements:		
Federal grants assistance fund, expenditures, transfers, and other uses		\$ 133,410,549
Less local match		<u>(19,375,426)</u>
Federal expenditures, transfers, and other uses		114,035,123
<u>CFDA #</u>		
10.551	Food Stamps	48,115,089
93.224	Community Health Centers	842,878
15.875	Office of the Public Auditor of Guam Economic, Social and Political Development of the Territories and the Freely Associated States	65,831
16.554	Superior Court of Guam National Criminal History Improvement Program (NCHIP)	79,688
16.585	Drug Court Discretionary Program	112,250
16.588	Violence Against Women Formula Grants	38,991
83.544	Public Assistance Grant	<u>27,201</u>
Total Federal Expenditures Subject to Audit		\$ <u>163,317,051</u>





**GOVERNMENT OF GUAM**

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**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

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**YEAR ENDED SEPTEMBER 30, 2004**



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs Year Ended September 30, 2004

#### Part I - Summary of Auditors' Results

1. The Independent Auditors' Report on the financial statements expressed a qualified opinion.
2. Reportable conditions in internal control over financial reporting were identified, some of which are considered to be material weaknesses.
3. Instances of noncompliance considered material to the financial statements were disclosed by the audit.
4. Reportable conditions in internal control over compliance with requirements applicable to major federal award programs were identified, some of which are considered to be material weaknesses.
5. The independent auditors' report on compliance with requirements applicable to major federal award programs expressed a qualified opinion.
6. The audit disclosed findings required to be reported by OMB Circular A-133.
7. The Government of Guam's major programs were as follows:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Number</u>
Food Stamp Cluster:	
Food Stamps	10.551
State Administrative Matching Grants for Food Stamp Program	10.561
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557
Economic, Social and Political Development of the Territories and the Freely Associated States	15.875
WIA Cluster:	
WIA Adult Program	17.258
WIA Youth Activities	17.259
WIA Dislocated Workers	17.260
Highway Planning and Construction	20.205
Environmental Protection Consolidated Grants: Program Support	66.600
Child Support Enforcement (CSE)	93.563
Medical Assistance Program (Medicaid)	93.778
Maternal and Child Health Services Block Grant to the States	93.994
Public Assistance Grants	83.544/97.036

8. A threshold of \$3,000,000 was used to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133.
9. The Government of Guam did not qualify as a low-risk auditee as that term is defined in OMB Circular A-133.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Part II – Financial Statement Findings Section

<u>Finding Number</u>	<u>Findings</u>	<u>Questioned Costs</u>	<u>Guam Agency</u>
04-01	Procurement and Suspension and Debarment	\$ 28,512	GSA, GFD, DOA, BBMR
04-02	Period of Availability of Federal Funds	\$ -	AHRD
04-03	Procurement and Suspension and Debarment	\$ 289,027	AHRD
04-04	Matching, Level of Effort, Earmarking	\$ -	AHRD, DOA
04-10	Procurement and Suspension and Debarment	\$ 21,107	GEPA
04-14	Procurement and Suspension and Debarment	\$ 97,548	Law, GSA
04-17	Procurement and Suspension and Debarment	\$ -	GSA, DPHSS
04-18	Period of Availability	\$ -	DPHSS, DOA
04-19	Matching, Level of Effort, Earmarking	\$ -	DPHSS
04-20	Matching, Level of Effort, Earmarking	\$ -	DPHSS
04-21	Procurement and Suspension and Debarment	\$ 15,700	GSA, DPHSS
04-22	Cash Management	\$ -	DOA
04-23	Allowable Costs/Cost Principles -- Indirect Costs	\$ -	DOA, BBMR
04-24	Equipment Management	\$ -	DOA
04-25	Cash	\$ -	DOA
04-26	Accounts Receivable - Other	\$ -	DOA
04-27	Other Receivables -- Bounced Checks	\$ -	DOA
04-28	Deposits and Other Liabilities	\$ -	DOA
04-29	Accounts Payable - Trade	\$ -	DOA
04-30	Special Revenue -- Accounts Payable and Deferred Revenue	\$ -	DOA

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Part III - Federal Award Findings and Questioned Cost Section, By Finding Number

<u>Finding Number</u>	<u>CFDA Number</u>	<u>Findings</u>		<u>Questioned Costs</u>	<u>Guam Agency</u>
04-01	15.875	Procurement and Suspension and Debarment	\$	28,512	GSA, GFD, DOA, BBMR
04-02	17.258/259/260	Period of Availability of Federal Funds	\$	0	AHRD
04-03	17.258/259/260	Procurement and Suspension and Debarment	\$	289,027	AHRD
04-04	17.258/259/260	Matching, Level of Effort, Earmarking	\$	0	AHRD, DOA
04-05	17.258/259/260	Reporting	\$	0	AHRD, DOA
04-06	66.600	Special Tests and Provisions	\$	0	GEPA
04-07	66.600	Special Tests and Provisions	\$	0	GEPA
04-08	66.600	Special Tests and Provisions	\$	0	GEPA
04-09	66.600	Allowable Costs/Cost Principles	\$	0	GEPA
04-10	66.600	Procurement and Suspension and Debarment	\$	21,107	GEPA
04-11	93.563	Special Tests and Provisions – Locate Absent Parents	\$	0	Law
04-12	93.563	Special Tests and Provisions – Eligibility	\$	0	Law
04-13	93.563	Special Tests and Provisions – Provision of Svcs	\$	0	Law
04-14	93.563	Procurement and Suspension and Debarment	\$	97,548	Law, GSA
04-15	93.563	Special Tests and Provisions – Provision of Svcs	\$	0	Law
04-16	93.778	Eligibility	\$	62,592	DPHSS
04-17	93.778	Procurement and Suspension and Debarment	\$	0	GSA, DPHSS
04-18	93.994	Period of Availability	\$	0	DPHSS, DOA
04-19	93.994	Matching, Level of Effort, Earmarking	\$	0	DPHSS
04-20	93.994	Matching, Level of Effort, Earmarking	\$	0	DPHSS
04-21	93.994	Procurement and Suspension and Debarment	\$	15,700	GSA, DPHSS
04-22	All	Cash Management	\$	0	DOA
04-23	All	Allowable Costs/Cost Principles – Indirect Costs	\$	0	DOA, BBMR
04-24	All	Equipment Management	\$	0	DOA
04-25	All	Cash	\$	<u>0</u>	DOA
Total Federal Questioned Costs			\$	<u>514,486</u>	

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-01  
Federal Agency: U.S. Department of the Interior  
CFDA No.: 15.875  
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States.  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$28,512

### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall procure from the United States when the cost is less by ten percent than from other contractors and such cost-savings analysis should be maintained on file.

### Condition:

Of 22 transactions, aggregating \$6,805,567 of \$8,394,823 in total Program non-payroll expenditures, we noted the following conditions:

1. For 1 (or 4%), the sole source method was used; however, the written rationale for the selection of the vendor (equipment standardization and uniformity and previously purchased from vendor) appears insufficient for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
09/10/04	007866	W0023504	Fire	P046A01566	\$ 28,512	2003 CIPGUAM2003-1

2. For 2 (or 9%), goods were procured from a vendor with a Federal GSA contract; however, the required cost-savings analysis was not documented for the following transactions:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
06/17/04	0002952	G0097192	Administration	P046A02749	\$ 75,833	2003 TA#MCI-11
06/07/04	0002606	G0097192	Administration	P046A02850	\$ 82,530	2003 TA#MCI-11

### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. For Condition 1 above, a questioned cost of \$28,512 exists. For Condition 2 above, no cost is questioned as the procurement files contained evidence that open competition was made.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-01, Continued  
Federal Agency: U.S. Department of the Interior  
CFDA No. 15.875  
Program Name: Economic, Social and Political Development of the Territories and the Freely Associated States.  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$28,512

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

[Condition 1]: [We] disagree with this finding. The approved sole source determination indicated that it was for "Items, equipment or materials are standard and uniform to the government." Attached is a justification letter dated December 22, 2003, submitted by the Fire Chief, requesting to procure rescue pumper equipment package through [Vendor # W0023504] for uniformity of the firefighting equipments of the Guam Fire Department.

[Condition 2]: [We] disagree with this finding. The method utilized in the procurement of computers on P046A02749 and P046A02850 was procuring through the 5GCA §5122 U.S. Government. The abstract in the procurement file indicated that the local vendors did not meet the required warranty as requested by the Department of Administration. The Chief Procurement Officer will ensure that the 10% preference is shown on the abstract of each procurement file utilizing the U.S. Contract source method.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

[Condition 1]: We have reviewed the referenced sole source determination letter, dated December 22, 2003. Based on our review, there is no indication that contemporaneous solicitation procedures were performed during the procurement process to support the justification that the required equipment is exclusively sold by the vendor. Therefore, the finding remains.

[Condition 2]: No cost-savings analysis was documented. Therefore, the finding remains.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-02  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable period of availability requirements, funds allotted to a State for any program year are available for expenditure by the State during that program year and the two succeeding program years.

#### Condition:

There were unexpended and un-obligated balances from grant years 2000 and 2001 whose periods of availability ended prior to October 1, 2004. The aggregated total of unexpended balances is \$266,481 as follows:

<u>Grant Year</u>	<u>End of Period of Availability</u>	<u>Unexpended Balance at 9/30/04</u>	<u>Grant Award #</u>
2000	2003	\$ 31,707	2000 AA-10600-0050
2001	2004	<u>234,774</u>	2001 AA112880150M1
		\$ <u>266,481</u>	

#### Cause:

There appears to be weak internal control over ensuring that Federal Funds are deappropriated after the period of availability.

#### Effect:

Available balances for grant years 2000 and 2001 are overstated. If such balances are not properly deappropriated, the Government of Guam could potentially expend Federal Funds in noncompliance with applicable period of availability requirements. No questioned cost is presented at this finding as expenditures in FY 2004 have been charged to grants within the fund's period of availability.

#### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

#### Recommendation:

The Government of Guam should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, the responsible personnel should deappropriate unexpended balances.

#### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

##### **Auditee Response:**

The agency at the end of FY2004 has yet to close out PY2000 and PY2001 grants as reconciliation with these accounts were still being conducted. Outlays for services that were provided during the grant period were not paid due to lack of invoices and proper invoice processing. As part of our efforts since February 2005, we have been reviewing the accounts to ensure that all payments for services rendered are made to all vendors before closing out these grants.

##### **Corrective Action Plan:**

The agency has begun to strengthen their internal controls by implementing in-house tracking mechanisms for each funding stream (or grant award) to ensure that by the end of each grant period all transactions have been liquidated and de-obligated accordingly. The agency will continue to collaborate with the Department of Administration and the Bureau of Budget and Management Research to make certain that we meet our federal requirements.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-02, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

The agency requested technical assistance from the Department of Administration to provide training to their fiscal staff on current DOA policies and procedures in processing payments, training was conducted on April 29, 2005.

The agency will send a memorandum to DOA requesting all outstanding encumbrances be liquidated after the last day authorized by the federal Grant to pay a vendor. The grantee will send an allotment modification to the Bureau of Budget and Mgmt requesting to remove all existing available funds from the expired grant.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-03  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$289,027

### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

### Condition:

Of 7 transactions, aggregating \$290,776 of \$1,091,181 in total Program non-payroll expenditures, we noted the following conditions:

1. For 4 (or 57%), there is no significant history of the procurement on file for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
a.	05/04/04	0000103	P0096101	AHRD	C040600720	\$ 15,000	2002 AA-12047-0250
b.	09/20/04	0009059	G1381601	AHRD	C040601190	56,937	2003 AA-12963-03-50
	09/20/04	0009059	G1381601	AHRD	C040601190	67,561	2002 AA-12047-0250
c.	08/20/04	0007028	G1381601	AHRD	D041500114	70,106	2003 AA-12963-03-50
d.	04/16/04	0109155	G1381601	AHRD	D041500124	12,885	2001 AA112880150M1
	04/16/04	0109155	G1381601	AHRD	D041500124	8,519	2002 AA-12047-0250
						<u>\$231,008</u>	

2. For 2 (or 29%), the Chief Procurement Officer determined the lease of space from the vendor to be an unauthorized procurement, as the lease agreement had expired, for the following transactions:

	<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>	<u>Grant Award #</u>
	04/14/04	108928	P4676701	AHRD	P046A02963	\$ 49,740	2002 AA-12047-0250
	08/20/04	007200	P4676701	AHRD	P046A05891	8,279	2003 AA-12963-03-50
						<u>\$58,019</u>	

### Cause:

There is a lack of internal control over ensuring compliance with applicable procurement requirements.

### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$289,027 exists.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-03, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$289,027

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

##### **Auditee Response:**

1. The Guam Workforce Investment Board, through its authority by statute, approved service providers Guam Community College Vendor#G1381601 and the Pacific Human Resources, Vendor#P0096101 to provide educational and vocational training to WIA participants. A copy of the contract and board minutes is hereby attached for your reference and review.

WIA PL-105-220 Chapter 3 Section 122 and 20 CFR 663.505 provides the governance for certifying an eligible training provider. The Guam Community College is considered "exempt" from the initial certification process as a Post Secondary Education receiving funds under Title IV of the Higher Education Act of 1965. This certification process and exempt status for Post Secondary Institutions allows the Agency to engage in non-competitive awards to Guam Community College pursuant to WIA PL105-220, Chapter 3, Section 122 and 20 CFR 663.505.

WIA PL-105-220 Chapter 3 Section 122 and 20 CFR 663.505 provide the governance for certifying an eligible training provider. The initial certification for new training providers who are not considered "exempt" is established by the Guam Workforce Investment Board. Upon certification of training providers, a Memorandum of Agreement is developed and routed through legal review with the Guam Attorney General's Office.

2. The Agency for Human Resources Development's occupancy of the Sunny Plaza in Tamuning was under the Department of Labor (DOL) Lease Agreement with Sunny Development Corporation at a cost-sharing arrangement to July 31, 2003. Under DOL and AHRD plans in 2002, AHRD was to relocate along with the One-Stop Career Center to DOL's new facility at the Hakubotan Building in Tamuning. This plan, however, was postponed due to the technical issue on DOL's new lease with CALS Corporation. DOL and AHRD's best and only option was to appeal to GSA for a month-to-month lease with Sunny Development Corporation and avoid the additional costs to relocate from one facility to another if the GEDCA Board does not agree to waive the stipulated lease requirements. The following provides the chronological events leading to the closure at the Sunny Plaza:

February 2003	General Service Administration (GSA) notified DOL of the award to lease the Hakubotan facility. DOL Acting Director submits requests for "sole source" procurement to continue the use of Sunny Plaza for the operation of the One-Stop Career Center and the Agency for Human Resources Development.
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March 2003	DOL Guam Employment Service, first of DOL's division, relocated to Hakubotan from Guam Premier Outlets.
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## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-03, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$289,027

#### Auditee Response and Corrective Action Plan, Continued:

March – June 2003	Other DOL divisions gradually relocated from Tiyan, Barrigada to Hakubotan facility. Both the AHRD Director and the One-Stop Career Center Executive Director were notified by DOL Director to make preparations for the relocation of their operations to Hakubotan.
May 2003	AHRD staff solicited quotes for the new workstations and data line installation in preparation for the relocation. Unconfirmed reports circulated among the agencies that DOL has been advised by the Department of Administration and GEDCA that CALS Corporation was in violation of its property lease with GEDCA. DOL was still under the assumption that a resolution to waive CALS stipulated order was being reconsidered.
June 2003	Still under the assumption that GEDCA Board will waive CALS lease requirements, DOL submitted a Notice of Interest to terminate lease with Sunny Development by June 30, 2004, affecting immediate relocation of the One-Stop Career Center and AHRD. AHRD Director and One-Stop Career Center Executive Director, in joint efforts, appealed to the DOL Director to reconsider its position on the relocations and instead opt to request GSA for a month-to-month arrangement until the technical issue with GEDCA is resolved. DOL Director with no further word from GEDCA Board, reconsidered and delegated the OSCC Executive Director to make the appeal with GSA.
July 2003	OSCC Executive Director invited the Guam Workforce Investment Board Chair, Maria Connelley to attend the meeting with GSA Acting Chief Procurement Officer, Jose Balajadia. After lengthy deliberations on the Hakubotan and Sunny Plaza lease, and the length of time it will take to process a new RFP, the Acting Chief Procurement Officer agreed that in the best interest of the government, the month-to-month option. U.S. DOL Region VI Federal Officials (Jon Lampman and John Jacobs) during site visit to conduct AHRD WIA training and for AHRD NEG Program review were made aware of the Sunny Plaza Lease expiration on July 31, 2003, and the technical issue on DOL's lease with CALS Corporation. Sunny Plaza Development Corporation consented to the month-to-month at the same lease arrangement with a 30-day termination notice.
February 2004	GSA under the Department of Mental Health PDN Request for Proposal solicitation to lease included Department of Labor's need for a new facility.
September 2004	Guam Capital Investment Corporation was awarded a 3-year lease for DOL occupancy at the GCIC facility in Hagatna.
November 2004	DOL and AHRD Closure at Sunny Plaza.

#### **Corrective Action Plan:**

1. The Agency will provide copies of the board minutes approving each training or service provider and attach to the contract executed by and between the provider and the agency to detail the significant history of the procurement.
2. The Agency for FY2005 engaged in a contract between the Guam Capital Investment Corporation for lease facilities. As part of our corrective measures, the agency has encumbered all funds necessary to pay for the agency's leased space to prevent any citation for illegal procurement.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-03, Continued  
Federal Agency: U.S. Department of Labor  
CFDA No.: 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$289,027

#### Auditee Response and Corrective Action Plan, Continued:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

On October 30, 1998, the Governor approved contract #C990600870 for the lease of office space with Sunny Plaza and the Department of Labor. Pursuant to Article 11 on page 8, item 11.2, it allowed the government to continue leasing on a month-to-month basis. Therefore, the government chose to continue on a month-to-month.

Due to the late submittal of the funding document GSA had to ratify the invoice for payment since it was for prior months rental. Therefore, the procurement was properly documented.

Bid solicitation number GSA-036-04 was issued and awarded to GCIC Building for lease of office space for the Department of Labor and Agency for Human Resources Development for a period of 1 year with the option to renew for (3) years based upon availability of funds.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-04  
Federal Agency: U.S. Department of Labor  
CFDA No. 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Matching, Level of Effort, Earmarking Requirements  
Questioned Costs: \$0

#### Criteria:

The following earmarking requirements apply:

- (1) A State may reserve up to 15 percent of the amounts allotted for Adult, Dislocated Worker, and Youth Activities.
- (2) A State may spend up to five percent of the amount allotted for the State's administrative costs
- (3) The State must reserve for rapid response activities a portion of funds, up to 25 percent, allotted for dislocated workers.
- (4) A local area may expend no more than ten percent of the Adult, Dislocated Worker, and Youth Activities funds allocated to the local area under sections 128(b) and 133(b) of the Act for administrative costs.
- (5) Thirty percent of the Youth Activity funds allocated to the local areas, except for the local area expenditures for administration, must be used to provide services to out-of-school youth (20 CFR section 664.320).
- (6) A minimum of 95 percent of eligible participants in Youth Activities must meet the criteria of disadvantaged low-income youth as defined in 29 USC 2801(25) (20 CFR section 664.220).

#### Condition:

The Government of Guam has not provided financial data to substantiate whether earmarking requirements have been met.

#### Cause:

There appears to be weak internal control over ensuring compliance with applicable earmarking requirements.

#### Effect:

The Government of Guam is in noncompliance with applicable earmarking requirements. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

#### Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with applicable earmarking requirements.

#### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

##### **Auditee Response:**

The agency is attaching copies of ETA Form 9076, which reflects the earmarking requirements of the grant. The agency is in agreement that the Adult, Youth, Dislocated Worker, Rapid Response, Local Administration and Statewide Activities accounts were not established with the Department of Administration (DOA) for FY 2004.

##### **Corrective Action Plan:**

The agency as part of the corrective measures will be establishing the appropriate accounts, which reflect the earmarking requirements of WIA clusters beginning July 1, 2005 or Program Year 2005.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-05  
Federal Agency: U.S. Department of Labor  
CFDA No. 17.258/17.259/17.260  
Program Name: WIA Cluster  
Area: Reporting  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable federal financial reporting requirements, financial data, including earmarked funds and program income, should be accurately reported on such federal financial reports as SF 272 Federal Cash Transactions Report and Form ETA-9076 Series of financial status reports.

#### Condition:

The Government of Guam has not provided federal financial reports for program years 2003 & 2002. Furthermore, detailed financial data was not provided to substantiate applicable requirements.

#### Cause:

There appears to be weak internal record keeping controls.

#### Effect:

The Government of Guam may be in noncompliance with applicable federal financial reporting requirements, earmarking requirements, and program income requirements.

#### Recommendation:

The Government of Guam should strengthen internal record keeping controls. Also, the Government of Guam should provide the requested federal financial reports to effect resolution of this finding.

#### Auditee Response and Corrective Action Plan:

Maria S. Connelley, Director of Labor, Guam Department of Labor, provided the following response:

##### **Auditee Response:**

The agency is attaching copies of ETA Form 9076, which reflects the earmarking requirements of the grant. The agency is in agreement that the Adult, Youth, Dislocated Worker, Rapid Response, Local Administration and Statewide Activities accounts were not established with the Department of Administration (DOA) for FY 2004.

##### **Corrective Action Plan:**

The agency as part of the corrective measures will be establishing the appropriate accounts, which reflect the earmarking requirements of WIA clusters beginning July 1, 2005 or Program Year 2005. This will allow for the Department of Administration to generate the necessary ETA9076 reports accordingly.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-06  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Special Tests and Provisions  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, the Government of Guam must ensure that at least 8% of federal funds for prime contracts and subcontracts for supplies, construction, equipment or services are made available to organizations owned or controlled by socially and economically disadvantaged individuals and women (the Fair Share policy).

#### Condition:

The Government of Guam could not provide documentation to support compliance with the Fair Share Policy under 2004 Grant # M-009063-04-0. Bid documents and contracts did not include documentation relating to the Fair Share percentage.

#### Cause:

There appears to be a lack of internal control over ensuring compliance with the Fair Share policy.

#### Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions and grant terms and conditions regarding the Fair Share policy. No questioned cost is presented at this finding, as we are unable to quantify the extent of noncompliance.

#### Recommendation:

The Government of Guam should ensure compliance with the Fair Share policy, by including the Fair Share percentage in bid documents and contracts.

#### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

A copy of bid documents for FY 05 are attached to show that Grantee has since implemented this policy.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-07  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Special Tests and Provisions  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, the Government of Guam must develop and implement a communications strategy to inform and interact with water systems.

#### Condition:

The Government of Guam has not developed a water systems communications strategy under 2004 Grant # M-009063-04-0.

#### Cause:

There appears to be a lack of internal control over ensuring compliance with this requirement.

#### Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions and grant terms and conditions regarding the development and implementation of a water systems communications strategy.

#### Recommendation:

The Government of Guam should ensure compliance with its grant terms and conditions. A written communications/information strategy should be developed and implemented.

#### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

This will be implemented by September 2005.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-08  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Special Tests and Provisions  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and grant terms and conditions, all equipment purchases valued at \$5,000 or more may only be purchased if approved by the USEPA project officer.

#### Condition:

For one (or 17%) out of six equipment purchase orders tested, the Government of Guam did not obtain prior approval for the following purchase order under 2004 Grant # M-009063-04-0:

<u>PO #</u>	<u>Amount</u>
PO46A06693	\$ 71,444

#### Cause:

There appears to be a lack of internal control over ensuring compliance with grant terms and conditions.

#### Effect:

The Government of Guam is in noncompliance with applicable special tests and provisions and grant terms and conditions requiring approval of equipment purchases over \$5,000. A total of \$71,444 is questionable; however, no questioned cost is presented at this finding as no drawdown was made, and no expenditure was recorded, in FY 2004.

#### Recommendation:

Purchases of equipment over \$5,000 should be approved by the required USEPA Project Officer prior to purchase.

#### Auditee Response and Corrective Action Plan:

The Government of Guam has not provided a response.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-09  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Allowable Costs/Cost Principles  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable allowable costs/cost principles requirement, fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with Federal or local laws and regulations are unallowable except when incurred as a result of compliance with specific provisions of the Federal award or written instructions by the awarding agency authorizing in advance such payments.

#### Condition:

For one (or 6%) out of 17 transactions, aggregating \$382,597 of \$1,181,749 in total Program non-payroll expenditures, the Grantor agency determined that it had overpaid \$28,772 to the grantee for Reimbursement #09 and requested repayment. The grantee repaid EPA Region IX with check number 103210 on January 29, 2004, but charged the Federal program under account number 5101E042298PA107230. There are no written instructions by the awarding agency authorizing such payment from Federal funds under 2004 Grant # M-009063-04-0.

#### Cause:

There appears to be weak internal control over ensuring that fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with Federal or local laws and regulations are not charged to the Program.

#### Effect:

The Government of Guam is in noncompliance with applicable allowable costs/cost principles requirement. No questioned cost is presented at this finding, as \$28,772 was credited to program expenditures and charged to local funds on June 6, 2005.

#### Recommendation:

The Government of Guam should strengthen internal controls to ensure compliance with applicable allowable costs/cost principles over fines, penalties, damages, and other settlements resulting from violations (or alleged violations) of, or failure of the governmental unit to comply with Federal or local laws and regulations.

#### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

A journal voucher has been processed to transfer this cost to local funds.

#### Auditors' Response:

We reviewed the journal voucher dated June 6, 2005, noting the Government of Guam has credited program expenditures in the amount of \$28,772 and charged local funds.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-10  
Federal Agency: U.S. Environmental Protection Agency  
CFDA No. 66.600  
Program Name: Environmental Protection Consolidated Grants: Program Support  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$21,107

#### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

#### Condition:

For 1 (or 7%) of 14 transactions, aggregating \$382,597 of \$1,181,749 in total Program non-payroll expenditures, there is no significant history of the procurement on file for the following transactions under 2004 Grant # M-009063-04-0:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/09/04	101905	A0097033	GEPA	D042200012	\$ 21,107

#### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

#### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$21,107 exists.

#### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Fred M. Castro, Administrator, Guam Environmental Protection Agency, provided the following response:

Supporting documents are attached.

#### Auditors' Response:

We reviewed the supporting documents, noting that in a letter dated December 10, 2003, the U.S. Environmental Protection Agency approved Guam EPA's request to pay the transaction, which was a prior year obligation. However, no procurement records were provided. Therefore, the finding remains.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-11  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Locate Absent Parents  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and 45 CFR 303, the State IV-D agency must attempt to locate the absent parent or sources of income and/or assets within no more than 75 calendar days. In addition, the State IV-D agency must attempt to establish paternity and a support obligation for children born out of wedlock.

#### Condition:

Of 45 case files tested, we noted the following conditions relative to 2004 Grant # 04-04GU4004:

1. For eleven (or 24%), there is no documentation to evidence that the agency attempted to establish paternity for the following cases: 16025, 16427, 15905, 16284, 16410, 16443, 16314, 16011, 16362, 16098, and 16364.
2. For three (or 7%), the attempt to locate the absent parent occurred after the maximum 75-calendar-day requirement for the following cases: 15863, 15981, and 15874.

#### Cause:

There appears to be weak internal control over ensuring that required services under 45 CFR 303 are provided to eligible individuals.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with applicable special tests and provisions requirements and 45 CFR 303. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

#### Recommendation:

The grantee should strengthen internal controls to ensure that the responsible personnel attempts to locate absent parents within 75 calendar days and properly documents such attempt on file in accordance with applicable special tests and provisions requirements and 45 CFR 303.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

[Condition 2]:

Case No. 15863: Agree. CP applied for service 9/21/03. Locate letter sent April 1, 2004. UIFSA package filed in court on 5/11/04.

Case No. 15981: Agree. IV-A referral received 12/18/03. File opened 1/9/04. Locate attempted on 4/2/04.

Case No. 15874: Agree. CP applied for service 10/9/03. Complaint was filed 3/12/04. Service of process attempted 5/4/04 resulted in non-service. NCP served 5/27/04.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.:	04-11, Continued
Federal Agency:	U.S. Department of Health and Human Services
CFDA No.	93.563
Program Name:	Child Support Enforcement
Area:	Special Tests and Provisions – Locate Absent Parents
Questioned Costs:	\$0

#### Auditee Response and Corrective Action Plan:

Since the resignation of the sole process officer assigned to the Locate Unit, individual workers have had to do their own locate. Due to a shortage of staff, nobody is specifically assigned to do locates. For now, each investigator or paralegal is responsible for doing their own locate.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-12  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Eligibility of individuals  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable special tests and provisions requirements and 45 CFR 74.53, all programmatic documents, such as birth certificates and social security numbers should be maintained on file for at least three years.

#### Condition:

For 2 (or 4%) out of 45 case files tested relative to 2004 Grant # 04-04GU4004, there was no social security number of the child or children in the file for the following cases: 16401 and 15891.

#### Cause:

There appears to be weak internal control over ensuring that required social security numbers and birth certificates are maintained on file for at least three years.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 74.53.

#### Recommendation:

The grantee should establish and implement internal controls to ensure compliance with 45 CFR 74.53.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

Case No. 16401: Agree. This is a IV-A referral case. We received only a copy of the birth certificate from Public Health. The case has been dismissed due to CSED inability to locate the NCP and the CP's non-cooperation in assisting us with the locate.

Case No. 15891: Agree. Our office has copies of the birth certificates of all 3 children, however, no copies of social security cards. The CP-dad informed us that NCP-mom has the cards and she currently resides off-island. We are trying to contact CP to provide us with copies of the cards. In the alternative, we will advise CP to apply for new cards at the local Social Security office and provide us copies upon receipt.

In the future, the Records Management Officer will request on all IV-A referrals, a copy of the birth certificate and social security cards from the Department of Public Health and Social Services. In all other cases, the Records Management Officer will require of all applicants for services, a copy of birth certificates and social security cards at the intake stage.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-13  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Criteria:

In accordance with 45 CFR 302.33, the grantee must provide services, such as establishing paternity and/or health insurance and/or enforcing support obligations, to any individual who files an application for services with the IV-D agency.

#### Condition:

Out of 45 case files tested relative to 2004 Grant # 04-04GU4004, we noted the following:

1. For 12 (or 27%), there is no documentation on file to indicate whether any services were provided after the case file was opened for the following cases: 16025, 16427, 15905, 16284, 16410, 16314, 16011, 16362, 16098, 16364, 16443 and 15894.
2. For 4 (or 9%), support obligation has not been established for the following cases: 15863, 16248, 16109, and 16006.

#### Cause:

There appears to be weak internal control over ensuring that required services under 45 CFR 302.33 are provided to eligible individuals.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 302.33.

#### Recommendation:

The grantee should establish and implement internal controls to ensure that required services under 45 CFR 302.33 are provided to eligible individuals. Upon receiving an application for services, the responsible personnel should provide the necessary services and document such actions.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

#### [Condition 1]:

Case No. 16025: Agree. TANF referral received 1/20/04. NCP in Chuuk. No action taken.

Case No. 16427: Agree. CP applied for services on 9/1/04. NCP left to Rota and then returned. To date, no action has been taken on this case.

Case No. 15905: Agree. CP applied for services 10/21/03. Complaint was prepared 11/03. Since grandmother was guardian, we waited 5 months for her to respond. We again prepared complaint with guardian named. Nothing happened for a year. Then guardian came in for status of case on 5/05. Complaint was filed 6/2/05. Hearing set for 10/4/05.

Case No. 16284: Agree. TANF referral received 5/7/04. On 7/7/04, we left messages for CP to contact us because we needed more information before we can proceed with the case. CP terminated from TANF and we sent her a letter on



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-13, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

1/5/05 informing her that we will continue services unless she informs us otherwise. We never received acknowledgement from CP.

Case No. 16410: Agree. TANF referral received 8/19/04. We received information through New Hire Directory that NCP was employed at Denny's in South Carolina. We sent letter to Denny's on 9/3/04, but received no response.

Case No. 16314: Agree. TANF referral received 7/1/04. Unable to locate NCP.

Case No. 16011: Agree. TANF referral received 1/20/04. We found out on 1/29/04 that the child no longer with CP. NCP (mom) went to school and took the child. We sent email to DPHSS informing them that child no longer in the household.

Case No. 16362: Agree. TANF referral received 5/11/04. No follow up work was done on the case.

Case No. 16098: Agree. CP applied for services 5/7/04. NCP in active Navy. Unable to locate NCP. No follow up work was done on this case.

Case No. 16364: Agree. TANF referral received 12/29/03. No address listed for NCP. Unable to locate NCP. No follow up work was done on this case.

Case No. 16443: See general response below.

Case No. 15894: Agree. TANF referral received 8/19/03. We attempted to locate NCP. CP didn't want services then CP applied for services on 10/29/04. Complaint sent to court on 6/16/05. Awaiting court hearing.

#### [Condition 2]:

Case No. 15863: Agree. CP applied for service 9/21/03. Locate letter sent April 1, 2004. UIFSA package filed in court on 5/11/04.

Case No. 16248: Agree. A complaint and summons were filed but CSED was unable to serve the NCP because he left to be stationed in Germany. We continue to be in contact with NCP and hope to resolve this matter through a stipulation without NCP having to return to Guam. Our last communication with NCP was on April 11, 2005.

Case No. 16109: Agree. TANF referral received 3/11/04. NCP lives in the Philippines. We need to locate NCP whether he has returned from P.I.

Case No. 16006: Agree. NCP applied for services 12/22/03; CP applied for services 1/20/04. Complaint was prepared 4/04, but then we found out that each child had guardians appointed. We contacted CP and informed her that the guardians need to fill out applications for services. We prepared new complaints naming the guardians as defendants since NCP applied for services first and he is considered the plaintiff.

We agree that in all of the cases cited, we did not obtain a support order. However, we did take action on most of the cases but were faced with several obstacles.

One major problem for failure to take action is that we receive TANF referrals with incomplete or inaccurate information on where to locate NCPs. We simply do not have the staff or the resources to locate people. Since we lost our locate staff, investigators have had to do their own locate, while trying to keep up with daily phone calls, emails, correspondence, and preparing cases for court hearings.

Another problem is that we get TANF referrals where the NCPs are not even on island and reside in places such as Chuuk, CNMI, or Philippines. In cases such as these, we are unable to collect from NCPs since we do not have reciprocity with these nations.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.:	04-13, Continued
Federal Agency:	U.S. Department of Health and Human Services
CFDA #:	93.563
Program Name:	Child Support Enforcement
Area:	Special Tests and Provisions – Provision of Services
Questioned Costs:	\$0

#### Auditee Response and Corrective Action Plan, Continued:

Another problem is that we are waiting for information from CPs and they do not get back to us with the information that we need to proceed with the case. Again, investigators are busy answering phones and responding to emails and correspondence, that they do not have the time to follow up with CPs for the information they requested.

On all of the cases above cited, they have been forwarded to the assigned investigator to take further action or close the cases. We hope to assign one staff to do locate. For now, each worker is responsible for doing their own locate until we can hire someone to do it full time.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-14  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$97,548

#### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

#### Condition:

Of 9 transactions tested, aggregating \$2,219,625 of \$2,808,851 in total Program non-payroll expenditures relative to 2004 Grant # 04-04GU4004, we noted the following conditions:

1. For 1 (or 11%), there is no significant history of the procurement on file for the following contract:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
06/10/04	0002668	A0096883	Law	C010600138	\$ 26,561
07/27/04	0005781	A0096883	Law	C010600138	26,561
10/28/04	0016001	A0096883	Law	C010600138	26,561
12/15/03	0100143	A0096883	Law	C010600138	26,561
02/11/04	0104024	A0096883	Law	C010600138	26,561
					<u>\$132,805</u>

2. For 1 (or 11%), the sole source method was used; however, the required supporting documentation is lacking or insufficient for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
12/17/03	0100280	I3076001	Law	P036A05012	\$14,995

The written justification for sole sourcing states "Only distributor/agent," and we reviewed certification from Vendor # I3076001 that it is the exclusive dealer for genuine Canon ImageRunner supplies, drum units and accessories, on Guam, the CNMI, and the Micronesian Islands. However, requisitions should not be brand specific, and there is no written justification for the specified brand.

#### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

#### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$97,548 exists (66% Federal share of total questionable costs of \$147,800).

#### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-14, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$97,548

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

[Condition 1]: Please refer to Exhibit A for Ada's Inc. procurement documentation to satisfy procurement requirements pertaining to this audit finding. Attached at Exhibit A are copies of the following documents:

- 1) Copy of response from Ada's Inc. to the Department of Law Invitation To Bid For Office Space as published in the Pacific Daily News.
- 2) Copy of Invitation To Bid For Office Space as advertised in the Pacific Daily News.
- 3) Copy of Office Space Terms/Conditions and Specifications.
- 4) Copy of Lease Agreement as signed by respective parties, cleared by BBMR, and approved by Chief Procurement Officer.

Please note that [Vendor # A0096883] was the only company that responded to the Department of Law Invitation To Bid For Office Space.

Claudia S. Acfalle, Chief Procurement Officer, Guam Environmental Protection Agency, provided the following response:

[Condition 2]: [We] concur with the finding. However, the current CPO acknowledged this finding and immediately took action by issuing a memorandum on December 18, 2003. The CPO issued a memorandum of instruction that for any sole source procurement for compatibility or uniformity of equipments or supplies, a memorandum must be provided by the requesting agency/department justifying the need for these type requirements.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

Condition 1: We have reviewed the documents provided by the Program Office. However, there is no contemporaneous procurement document indicating that the selected vendor was the only company that responded to the bid invitation. Therefore, the finding remains.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-15  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Criteria:

In accordance with 45 CFR 303.7, the State IV-D agency must provide the appropriate child support services needed for interstate cases, establish an interstate central registry responsible for receiving, distributing and responding to inquiries on all incoming interstate IV-D cases, and meet required time frames pertaining to provision of interstate services.

#### Condition:

Out of 45 case files tested, we noted the following:

1. For 1 (or 2%) (i.e., case # 16163), case documentation was not sent within 10 days of the inquiry of the IV-D agency where the case was initiated, and the State IV-D agency was not notified within 30 days when the information would be ready.
2. For 4 (or 9%) (i.e., case # 15998, 16337, 15863, and 16282), upon determination of interstate case, IV-D agency did not send initiating documentation to State's interstate central agency within 20 days.
3. For 2 (or 4%) (i.e., case # 16337 and 15863), there was no review documentation on file or review documentation was not sent within 20 days to another State.

#### Cause:

There appears to be weak internal control over ensuring that required services under 45 CFR 303.7 are provided to eligible individuals.

#### Effect:

There is no known effect on the financial statements as a result of this condition. However, the grantee is in noncompliance with 45 CFR 303.7.

#### Recommendation:

The grantee should establish and implement internal controls to ensure that required services under 45 CFR 303.7 are provided to eligible individuals. Upon receiving an application for services, the responsible personnel should provide the necessary services and document such actions.

#### Auditee Response and Corrective Action Plan:

Barbara P. Cepeda, IV Director, Guam Office of the Attorney General, provided the following response:

#### [Condition 1]:

Case No. 16163: Agree. The Child Support Enforcement Division has taken corrective action to ensure that interstate packets received are routed to our records room to establish a physical file and routed to the assigned Investigator who will acknowledge receipt of the initiating packet to be in compliance with 45 CFR 303.7.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-15, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA #: 93.563  
Program Name: Child Support Enforcement  
Area: Special Tests and Provisions – Provision of Services  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

##### [Condition 2]:

Case No. 15998: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

Case No. 16337: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

Case No. 15863: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

Case No. 16282: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the initiating state. We currently assigned two Investigators to handle interstate cases and process the interstate packets to the responding state for action which will ensure compliance with 45 CFR 303.7.

##### [Condition 3]:

Case No. 16337: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the Initiating state. CSED will ensure that the address information in the applications is complete. The CSED interviewers have been instructed to ensure that the information stated on the applications is complete with all the required information needed to process the interstate packet.

Case No. 15863: Agree. The Child Support Enforcement Division has taken corrective action to ensure the timely processing of the case to the Initiating state. CSED will ensure that the address information in the applications is complete. The CSED interviewers have been instructed to ensure that the information stated on the applications is complete with all the required information needed to process the interstate packet.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-16  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Eligibility  
Questioned Costs: \$62,592

#### Criteria:

In accordance with applicable eligibility requirements, eligibility determinations should be documented, including such supporting documents as application worksheets, benefit calculations, social security cards, proof of citizenship, verification of employment, and recertification.

#### Condition:

Of 79 items tested, we noted the following conditions:

1. For 2 (or 3%), the Government of Guam did not provide the case file for the following:
  - a. 10-24286, \$26,002 claimed
  - b. 10-27951, \$14,603 claimed
2. For 3 (or 4%), no social security card(s) are on file for case numbers 33-31045, 33-72140, and 33-26162.
3. For 2 (or 3%), the most recent certification and/or renewal or application is in 2001 for the following:
  - a. 30-71350, \$19,757 claimed
  - b. 30-53262, \$2,230 claimed
4. For 4 (or 5%), re-determination of eligibility took more than six months for case numbers 33-73272, 33-54101, 33-55327, and 33-60031.
5. For all cases, there is no documentation to support that income and eligibility verification system (IEVS) was used to verify eligibility.

#### Cause:

There appears to be weak record keeping controls.

#### Effect:

A questioned cost of \$62,592 exists. The Government of Guam is in noncompliance with applicable eligibility requirements.

#### Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.

#### Recommendation:

The Department of Public Health and Social Services should strengthen record keeping controls to ensure that case files are maintained on file for at least three years to substantiate expenditures.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-16, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Eligibility  
Questioned Costs: \$62,592

#### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

[Condition 1]: Agree. We are still trying to locate the files.

[Condition 2]: 33-31045 – Agree. Client will request replacement SS card from SSA

[Condition 3]:

30-71350 – Agree. The case file reviewed by the auditor was file #016716N. This file was transferred from Central to Northern on 11/01/01 and contained the 2001 documents. Another case file was opened in Central, file #60-114. Case file #60-114 contains the 2/2004 and 2/2005 Renewal applications and a change report dated 11/30/03 reporting newborn and includes [newborn's] birth certificate and SSN card. This case file is now available for re-review. However, the 8/5/03 application is not in this case file. The 8/5/03 application may be in case file #8862C which could not be located (see attached).

30-53262 – Agree. File #008767 is available for re-review. The October 13, 2004 Renewal application and other 2001 documents are in this file. However the original case file #0305, which contains the 4/08/03 application and supporting documents cannot be located (see attached).

[Condition 4]: Agree.

[Condition 5]: Agree.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-17  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and basis for the contract price. Furthermore, in accordance with the applicable local procurement law, the Guam General Services Agency shall procure from the United States when the cost is less by ten percent than from other contractors and such cost-savings analysis should be maintained on file.

#### Condition:

For one (or 1%) out of 72 transactions, aggregating \$14,904,718 of \$18,331,586 in total Program non-payroll expenditures relative to 2004 Grant # 75X0512, goods were procured from a vendor with a Federal GSA contract; however, the required cost-savings analysis was not documented for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
9/27/2004	0009667	G0097192	DPHSS	P046A04104	\$60,852

#### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

#### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. No questioned cost exists as the procurement files contained evidence that open competition was made.

#### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

We disagree with the finding. As a line agency of the Government of Guam, the Department of Public Health and Social Services (DPHSS) does not have procurement delegation to procure for supplies or services. All request for supplies or services are processed by submitting a requisition form and forwarded to General Service Agency, GSA, where all procurement activities are negotiated and thereafter, awarded. Attached, please find General Services Agency Circular No. 2000-05 dated March 28, 2000 regarding instruction on the submission of requisitions.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-17, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.778  
Program Name: Medicaid  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$0

#### Auditee Response and Corrective Action Plan, Continued:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

[We] disagree with this finding. The method utilized in the procurement of computers on [P046A04104] was procuring through the 5GCA §5122 U.S. Government. The abstract in the procurement file indicated that the local vendors did not meet the required warranty as requested by the Department of Administration. The Chief Procurement Officer will ensure that the 10% preference is shown on the abstract of each procurement file utilizing the U.S. Contract source method.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

No cost-savings analysis was documented. Therefore, the finding remains.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-18  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Period of Availability of Federal Funds  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable period of availability requirements, funds available to States from their allotment for any fiscal year are available for obligation by the State in that fiscal year or in the succeeding fiscal year.

#### Condition:

At the end of fiscal year 2004, unliquidated/unobligated balances remain after the fund's period of availability, as follows:

<u>Grant Year</u>	<u>End of Availability</u>	<u>Unliquidated Balance</u>	<u>Unobligated Balance</u>	<u>Grant Award #</u>
2001	2002	\$949	\$11,815	2B04MC0034805
2002	2003	0	9,210	2B04MC0034806
2003	2004	0	19,165	MC0034807-Q101
		<u>\$949</u>	<u>\$40,190</u>	

#### Cause:

There appears to be weak internal control over ensuring that available balances are deappropriated/ deencumbered after the fund's period of availability.

#### Effect:

The available balances for grant years 2001 through 2003 are misstated. If the balances are not properly deappropriated/deencumbered, the grantee could potentially expend Federal funds in noncompliance with applicable period of availability requirements. No questioned cost is presented at this finding as expenditures in FY 2004 have been charged to grants within the fund's period of availability.

#### Recommendation:

The Government of Guam should strengthen internal controls to ensure that Federal funds are no longer available for obligation or expenditure after the fund's period of availability. When the fund's period of availability ends, responsible personnel should deappropriate/deencumber unexpended balances.

#### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

As per Section 503 of Title V of the Social Security Act, "funds allocated to States are available for obligation and expenditure over a two-year period. For example, funds appropriated and allocated to the States in FY 1999 (starting October 1, 1998) are available for obligation and expenditure through September 30, 2000.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-19  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$0

### Criteria:

In accordance with applicable level of effort – maintenance of effort requirements, the State must maintain the level of funds provided solely by the State for maternal and child health programs at a level at least equal to the level provided in FY 1989 (42 USC 705(a)(4)).

### Condition:

The Government of Guam did not provide the necessary documents, indicating compliance with the above criteria, relative to 2004 Grant # 1B04MC0243901.

### Cause:

There appears to be weak internal control over record keeping.

### Effect:

The Government of Guam may be in noncompliance with applicable level of effort, maintenance of effort requirements. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

### Recommendation:

The Government of Guam should provide the necessary documents to effect resolution of this finding.

### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

The Program is working with federal counterparts to provide documentation of the Maintenance of Effort provided for in FY 1989.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-20  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Matching, Level of Effort, Earmarking  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable earmarking requirements,

1. The State must use at least 30 percent of payment amounts for preventive and primary care services for children (42 USC 705(a)(3)(A)).
2. The State must use at least 30 percent of payment amounts for services for children with special health care needs (42 USC 705(a)(3)(B)).
3. A State may not use more than 10 percent of allotted funds for administrative expenses (42 USC 704(d)).

#### Condition:

The Government of Guam did not provide the documents, indicating compliance with the above criteria, relative to 2004 Grant # IB04MC0243901.

#### Cause:

There appears to be weak internal control over record keeping.

#### Effect:

The Government of Guam may be in noncompliance with applicable earmarking requirements. No questioned cost is presented at this finding, as we are unable to quantify the noncompliance.

#### Recommendation:

The Government of Guam should provide the necessary documents to effect resolution of this finding.

#### Auditee Response and Corrective Action Plan:

Arthur U. San Agustin, Acting Director, Guam Department of Public Health and Social Services, provided the following response:

The audit performed was for year ending September 30, 2004. The MCH Program Guam will be reporting the expenditure related to the "30-30-10" split in the grant application submitted July 15, 2005.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-21  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$15,700

### Criteria:

In accordance with applicable procurement requirements, the grantee will maintain records sufficient to detail the significant history of a procurement. These records will include a rationale for the method of procurement, selection of contract type, contractor selection or rejection, and the basis for the contract price.

### Condition:

Of 7 transactions tested, aggregating \$41,746 of \$150,868 in total Program non-payroll expenditures relative to 2004 Grant # 1B04MC0243901, we noted the following conditions:

1. For 1 (or 14%), blanket purchase authority was used; however, the required supporting documentation is lacking or insufficient for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
01/08/04	0101620	L2926001	DPHSS	P046A00539	\$4,500

The written justification documents the need for pharmacy services for the Central Regional Health Center, but does not specify a rationale for selecting Vendor # L2926001 over any other pharmacist.

2. For 1 (or 14%), informal quotations were solicited from seven medical supply companies, and the vendor was selected for submitting the sole quotation. However, the other vendors were given only one day to respond to the quotation. Therefore, it appears that open competition was limited for the following transaction:

<u>Check Date</u>	<u>Transaction #</u>	<u>Vendor #</u>	<u>Guam Agency</u>	<u>Reference #</u>	<u>Amount</u>
07/27/04	0005849	M3896504	DPHSS	P046A03511	\$ 11,200

### Cause:

There appears to be a lack of internal control over ensuring compliance with applicable procurement requirements.

### Effect:

The Government of Guam is in noncompliance with applicable procurement requirements. A questioned cost of \$15,700 exists.

### Prior Year Status:

The above condition is reiterative of conditions identified in prior years' audits of the Government of Guam.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-21, Continued  
Federal Agency: U.S. Department of Health and Human Services  
CFDA No. 93.994  
Program Name: Maternal and Child Health Services Block Grant  
Area: Procurement and Suspension and Debarment  
Questioned Costs: \$15,700

#### Recommendation:

The procurement officer should establish and implement internal control procedures to ensure that all procurements are documented in sufficient detail in compliance with applicable procurement requirements. The procurement officer should not approve purchase orders to procure goods/services from a particular vendor unless such procurement documents as solicitation ads, bid abstracts, or other written memoranda are documented on file to detail the significant history of the procurement.

#### Auditee Response and Corrective Action Plan:

Claudia S. Acfalle, Chief Procurement Officer, Guam General Services Agency, provided the following response:

[Condition 2]: [We] disagree with finding. Although the buyer indicated one (1) day turn around time on the request for quotation, the vendors did not respond as requested (1-day), however, the buyer still received some feedback from several of the vendors beyond the (1-day) turn around time as noted on the request for quotation.

The CPO instructed the buyer to re-issue the request for quotation to allow the vendors adequate time to prepare a response. Refer to attached documents.

GSA will continue to improve the processes and to uphold the integrity within the procurement activities of this government.

#### Auditors' Response:

Based on our review of the solicitation documents faxed to the vendors, we noted the reissued requests still indicated a one-day response time. Therefore, the finding remains.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-22  
CFDA No. All  
Area: Cash Management  
Questioned Costs: \$0

### Criteria:

In accordance with applicable cash management requirements, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks should be minimized. Based on our review of the Treasury-State Agreement, the specified clearance pattern for Guam is 1 day.

### Condition:

For 155 (or 53%) of 291 transactions tested, the time elapsed between the receipt of Federal funds and the clearance of disbursed checks exceeded one day, ranging from 2 to 373 days, as follows:

<u>CFDA #</u>	<u># of Transactions</u>
10.557	4
10.561	2
15.875	22
17.258/259/260	4
20.205	25
66.600	6
83.544	51
93.563	24
93.778	15
93.994	2
	<u>155</u>

### Cause:

The Government of Guam lacks a uniform policy of drawing down Federal funds.

### Effect:

The Government of Guam may be in noncompliance with applicable cash management requirements.

### Recommendation:

The Government of Guam should establish and implement a uniform policy for drawing down Federal funds to ensure that the time elapsed between the receipt of Federal funds and the check disbursement is minimized. The established procedures should be sufficiently detailed so that any given drawdown can be easily traced to the Federal cash receipt date and the check disbursement date(s); likewise, any given check disbursement can be easily traced to the Federal cash receipt date.

### Auditee Response and Corrective Action Plan:

Michael D. Cabral, Federal Grants and Compliance Branch, Division of Accounts, Guam Department of Administration, provided the following response:

The Government of Guam received a U.S. Treasury Cash Management Improvement Act Training on April 2005 which was conducted by Mr. Fred Williams. After the training, Department of Administration, The Treasurer of Guam and Mr. William met to amend the CMIA agreement that best suits GovGuam's financial obligations.

The Department of Administration intends to implement the Zero-Based Accounting funding technique by 2006. Check write will slowly be replaced by Electronic Fund Transfer method. This will decrease the lapse time of funds between the receipt of Federal funds to the vendors' bank.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-23  
CFDA No.: All  
Area: Indirect Costs  
Questioned Costs: \$0

#### Criteria:

In accordance with applicable cost principles, only approved rates should be used to calculate indirect costs.

#### Condition:

Indirect costs reported for FY 2004 are based on rates in the Indirect Cost Negotiation Agreement for FY 2003, which was no longer effective for periods after September 30, 2003.

#### Cause:

The Government of Guam has not yet received an approved indirect cost negotiation agreement for FY 2004. Indirect cost rate proposals were submitted to the cognizant agency subsequent to FY 2004.

#### Effect:

The Government of Guam is in noncompliance with applicable cost principles. There is no questioned cost presented at this finding, as indirect costs for FY 2004 have not yet been charged to the Federal Grants Fund. Furthermore, due to the delayed submission of indirect cost rate proposals, the Government of Guam runs the risk of having Federal grants expire and of losing indirect cost recoveries.

#### Recommendation:

Absent an approved indirect cost negotiation agreement for the current fiscal year, the Government of Guam should obtain, in writing, Federal grantor agency approval to apply expired rates. Furthermore, the Government of Guam should strengthen internal controls to ensure that indirect cost rate proposals are submitted to the cognizant agency in a timely manner.

#### Auditee Response and Corrective Action Plan:

Michael D. Cabral, Federal Grants and Compliance Branch, Division of Accounts, Guam Department of Administration, provided the following response:

The Department of Administration shall work closely with the Bureau of Budget and Management to acquire an approved indirect cost rate in a timely manner. In the absence of an approved rate, the department shall request to the grantor for approval to use the latest approved negotiated rate.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.: 04-24  
CFDA No.: All  
Area: Equipment management  
Questioned Costs: \$0

#### Criteria:

In accordance with Section 32(d) of the Common Rule, Equipment Management Requirements, governmental agencies that acquire equipment through Federal funds are required to perform a physical inventory and reconcile such to the property records at least once every two years. In addition, adequate maintenance procedures must be established to keep the property in good condition.

#### Condition:

The Government of Guam has not conducted the required comprehensive physical inventories of its equipment.

#### Cause:

The Government is currently in the process of implementing its fixed asset management system. Efforts are being made to tag all equipment with bar code property identification labels. Until the Government completes tagging of all equipment, it will not be able to conduct a physical inventory.

#### Effect:

The Government is in noncompliance with applicable Federal regulations.

#### Prior Year Status:

The above condition is reiterative of conditions identified in our prior year audit of the Government of Guam.

#### Recommendation:

The Government of Guam should complete tagging of all equipment and conduct a physical inventory immediately thereafter.

#### Auditee Response and Corrective Action Plan:

The Government of Guam has begun implementation of adopting GASB34, Basic Financial Statements and Management's Discussion and Analysis, for State and Local Governments. There are two (2) stages in this approach. The first stage is to record all capital assets such as buildings, and infrastructure, which has been completed. The second stage is to compile all fixed asset records, which is ongoing.

Please refer to the Department of Administration's Organizational Circular No 03-004 provided to all line agencies to comply with its procedures (Exhibit B).

The Department of Administration (DOA) has provided a circular to all line agencies in the Government of Guam to provide a comprehensive listing of their assets. DOA's objective is to compare the department's actual inventory records to its existing database for completeness and reconciliation. After this is performed, physical observation of fixed assets can be performed. Prospectively, DOA will also enhance its AS400 Budget and Accounting Information System to ensure all purchases from the accounts payable module are linked into the fixed assets module. The time line for the above procedure is Fiscal Year 2005.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

Finding No.:	04-24, Continued
CFDA No.:	All
Area:	Equipment management
Questioned Costs:	\$0

#### Auditee Response and Corrective Action Plan, Continued:

Since February 26, 2003 when DOA issued DOA Organizational Circular No. 03-004, we have been updating our strategic plan with the help of [a contracted] DOA Consultant on this matter. In addition, we are seeking an amendment to the law increasing the capital outlay threshold from \$500 to \$5,000. This legislative change will greatly reduce the number of assets to be reported in the fixed assets inventory.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-25 - Cash

Criteria: Bank reconciliations are to be prepared on a monthly basis and reconciling items investigated in a timely manner.

Condition: At September 30, 2004, combined cash balances for the following governmental funds indicated unreconciled differences:

<u>Fund #</u>	<u>Bank Balance</u>	<u>Outstanding Checks</u>	<u>Deposits In Transit</u>	<u>Expected Book Balance</u>	<u>Actual Book Balance</u>	<u>Variance</u>
100	\$ 34,348,800	\$ (18,644,416)	\$ 1,390,316	\$ 17,094,699	\$ 19,234,834	\$ (2,140,135)
101	2,898,699	(39,334)	-	2,859,365	3,080,388	(221,023)
205	125,199	-	23,686	148,886	(130,122)	279,008
209	583,581	-	660	584,241	237,159	347,082
232	42,565	-	-	42,565	21,074	21,491
416	287,227	-	138,618	425,845	498,251	(72,406)
602	722,654	-	-	722,654	463,937	258,717
Other	6,772,259	-	-	6,772,259	6,766,771	5,488
	<u>\$ 45,780,984</u>	<u>\$ (18,683,750)</u>	<u>\$ 1,553,280</u>	<u>\$ 28,650,514</u>	<u>\$ 30,172,292</u>	<u>\$ 1,521,778</u>

The net variance of \$1,521,778 pertained to various reconciling items not recorded in the general ledger. Audit adjustments were proposed to correct misstatements of cash balances within Fund #s 100, 101, 205, 209, 232, 416 and 602.

Cause: The cause of the above condition is timeliness of the bank reconciliation function, which does not appear to have been monitored.

Effect: The effect of the above condition is a misstatement of cash balances.

Prior Year Status: The above condition is reiterative of conditions identified in the prior year audit of the Government of Guam.

Recommendation: We recommend that bank reconciliations be prepared for all bank accounts on a monthly basis. Items outstanding over one month should be investigated. Monitoring is encouraged to ensure that regular monthly reconciliations occur.

### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

The DOA generally agrees with the cited condition. Subsequent research and analysis were performed and journal vouchers were prepared accordingly to resolved material reconciling items. The Division of Accounts continually performs research and analysis to resolve bank reconciliation reconciling items.

Bank reconciliation processes are undertaken on a monthly basis, however bank reconciling items resolution require the investment of time and human resources.

The DOA hired an accounting technician to provide the basic need for technical duties and responsibilities for the bank reconciliation section. In addition a senior accountant is tasked to provide the professional assistance to resolve bank reconciliation reconciling items.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

#### Finding No. 04-26 – Accounts Receivable - Other

Criteria: Collectibility of accounts receivable should be monitored. Collection efforts should be enforced at all times to ensure that account balances are current.

Condition: The accounts receivable-other account is comprised mostly of Tenda purchases by both line agencies and autonomous agencies with a balance of \$4.6 million outstanding as of fiscal year end. Three of four samples randomly selected indicated that payments received during the year did not substantially reduce receivable balances. No statements of account were sent to agencies. Therefore, reconciliation with debtors is difficult. There was no specific staff assigned to monitor billing and collection of Tenda account charges. Audit adjustments were proposed to record an allowance for doubtful accounts and reduce accounts receivable to their net realizable value.

Cause: There appears to be a shortage of staff assigned to monitor Tenda account charges.

Effect: There is a potential that only receipts turned in by employees of the various agencies are recorded as liabilities. If left unreconciled, such receivables may ultimately become uncollectible.

Recommendation: It is recommended that DOA staff be assigned responsibility for the billing and collection of Tenda (GSA) charges. Further, statements of account should be sent no less than on a quarterly basis. Purchases should be allowed by only agencies with accounts balances that are not past due.

#### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

The following control procedures are currently in place:

1. DOA currently maintains current billings against all Tenda accounts. Billings to autonomous agencies were sent on a monthly basis to these agencies.
2. DOA temporarily suspends accounts from obtaining fuel chits and ordering supplies from GSA if current bills are not paid. Billings prior to 2003 are still in a reconciliation stage. DOA is trying to work with each department to address discrepancies in records between offices.
3. DOA in conjunction with SPPC (76) has implemented the use of gas cards as a means to regulate and record fuel use by department. The implementation stage has taken some time to implement and is slowly being used by government agencies.

DOA has asked DMR to reprogram our current A/R files so that outstanding balances can be flagged by our accounts payable. This reprogramming has been completed and is currently active. The actual implementation of our offset and collection policies are still pending the response from the AG's Office regarding the legalities of offsets to government employees as well as vendors who have outstanding debts to the government.

#### Finding No. 04-27 – Other Receivables – Bounced Checks

##### Criteria:

1. Reconciliation between the general and subsidiary ledgers should occur on a regular basis. Reconciling items should be analyzed and adjusted in a timely manner to ensure the propriety of ledger balances.
2. Accounts receivable should be properly aged to ensure that uncollectible accounts are properly provided for.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

#### Finding No. 04-27 – Other Receivables – Bounced Checks, Continued

##### Conditions:

1. Variances exist between the general ledger (GL) and subledgers. There does not appear to be a concerted effort to ensure that reconciliation occurs. It was further noted that bounced checks entered into the GL system are dependent on how often the Treasurer of Guam furnishes the data for posting. A lag of between one week and one month seems to be the norm.
2. Approximately \$4 million was recommended for write off by the Public Auditor (OPA Report 04-07). However, only \$2.5 million was processed.
3. During fiscal year 2004, an entry to reduce receivables by \$2.5 million was recorded. However, there was no specific identification as to which checks were to be written off. The schedule provided was not properly reflective of the actual bounced check balance as of September 30, 2004. No inventory of bounced checks on hand was performed to support the general ledger balance.
4. The general ledger showed a total of \$5 million of bounced checks for which no allowance for uncollectible accounts was provided. The bounced checks list dates from as far back as fiscal year 1989, an indication that there may not to have been an effort to initiate collection or replacement of such checks.

An audit adjustment was proposed to record an allowance for uncollectible accounts and to reduce receivables to their net realizable value.

##### Causes:

1. There is no designated staff responsible for periodically reconciling the general and subsidiary ledgers. Further, due to staff shortages, a monitoring process does not exist that ensures that all bounced checks are completely and timely recorded.
2. There appears to be confusion in processing the correct write-off.
3. Due to staff shortages, inventory listings of actual bounced checks on hand are not regularly updated.
4. Long outstanding bounced checks have not been collected. No written procedure appears to be in place to document efforts of collection or replacement for bounced checks.

##### Effects:

1. Because bounced checks are not timely recorded in the system, there is a potential that the bounced check GL account may be misstated.
2. Receivable accounts and the related allowance for bad debts account may be materially misstated.
3. No known effect on the financial statements results from this condition.
4. Absent concentrated effort to pursue replacement of bounced checks, long outstanding accounts are likely to be written off, thereby reducing General Fund revenue.

Prior Year Status: The above conditions are reiterative of prior year findings.

## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

#### Finding No. 04-27 – Other Receivables – Bounced Checks, Continued

##### Recommendations:

1. A set of procedures should be in place to effectively manage collections of bounced checks.
2. A timely and regular reconciliation between the general and subsidiary ledgers should occur.
3. A calculation of the allowance for doubtful accounts should be regularly updated after review by management.
4. On a regular basis, a physical inventory of bounced checks should be performed to validate ledger balances.
5. Regular staff should be assigned responsibility over ensuring these policies and procedures are implemented and enforced.
6. AS400 generated reports should be modified to reflect more meaningful information to assist in reconciliations and to eliminate redundancy in bounced check recordkeeping.

##### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

DOA made 2.5 million dollar adjustment to write off bad debts prior to the release of OPA report 04-07. The detail listings of the checks to be written off were being compiled and reviewed by Revenue and Tax. The listing was not yet available at the time account was questioned because Revenue had to be revisited to accommodate the \$4 million write off suggested by the OPA.

Reconciliation efforts between DOA and DRT are ongoing. Progress is slow due to various confidentiality issues surrounding the DRT records. We are confident that our efforts will be more evident in the coming audit.

#### Finding No. 04-28 – Deposits and Other Liabilities

##### Criteria:

1. Liability accounts should reflect credit balances.
2. Child support collections/disbursements should be supported by a detailed schedule and be timely reconciled to the general ledger.
3. Timely recording of pass-through accounts should occur.
4. Journal entries should be properly supported.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-28 – Deposits and Other Liabilities, Continued

#### Conditions:

1. The following liability accounts reflect debit balances as of 9/30/04:

GL Account	GL Account Description	GL Amount
110023321	DEPOSIT - PUAG DOI FGIA	\$ 249,966
110023101	UNRECONCILED DEBIT MEMOS	91,802
110023317	DEPOSIT - MIHS CONTRACT ADDEND	37,735
110026153	REISSUANCE ACCT-TAX REFUND	17,426
110023330	GTA COLLECTIONS	14,397
110023310	GPA/PUAG COLLECTIONS	11,363
110023117	DEPOSIT-JUDICIAL COURT PROJ	9,398
110023320	COLLECTIONS FOR PUAG	6,011
110023247	DEPOSIT-DONATION RECEIVED(GC61	1,887
110023261	DEP-GPA TYPH OMAR O/T	1,591
110026152	REISSUANCE ACCT-PAYROLL	1,531
110023331	DEPOSIT - POLICE SERVICES	1,500
110023452	DEP-CD MUSTARD GAS EVACUATION	1,183
110023220	FY88 DEPOSIT & PRIOR YRS	875
110022014	GPD LOCAL ASSET FORFEITURE	830
110023451	DEP-GEPA MUSTARD GAS EVACUATN	114
	Total	\$ <u>447,609</u>

2. The Collections-Child Support has a balance of \$4,360,808. It appears that payments have not been timely made as collections and subsequent payments should keep the account balance at a lower level.

The balance comprises amounts that have never been disbursed and amounts that have been credited from stale dated checks. The value of the undisbursed amount is approximately \$2.3 million. Undisbursed amounts are governed by public law and must be "diligently" investigated either to find the intended recipient or the payee must be found so the monies can be returned. Only after two years can these funds be transferred to a holding different. The Attorney General's office is unable to diligently investigate the amounts due to a reported lack of manpower and therefore, the money remains in the account indefinitely.

#### Conditions:

Of the above account balance, approximately \$2 million relates to stale dated checks. Interpreted public law for these checks states that after four years, these balances may be escheated to the Government of Guam. Potentially, part of this money should be paid back to the federal government. If child support payments were not cashed due to the recipient already being on public assistance, 75% of each check should be paid back to the federal government, and the Government of Guam should receive 25%.

Additionally, there is no schedule to support the account entitled Accounts Payable – Unclaimed Checks (Child Support) account amounting to \$1.7 million.

3. Account #110026140 titled "Unidentified Collections" has a balance of \$1,185,237 that is unsupported.
4. Bank of Hawaii checking account – Child Support contains reconciling items that are unsupported.



## GOVERNMENT OF GUAM

### Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

#### Finding No. 04-28 – Deposits and Other Liabilities, Continued

##### Causes:

1. There appears to be a lack of control as payments are being paid out of accounts that do not contain balances.
2. There appears to be a lack of adequate controls to apply collections to appropriate recipients.
3. It appears that there is inadequate follow up and investigation to identify correct accounts in which funds should be deposited.
4. Documents in support of reconciling items were not kept in the bank reconciliation files.

##### Effects:

1. Incorrectly applied payments result in debit balances in the liability accounts.
2. This results in a material misstatement of Child Support Collections. There is a potential risk that portions of undistributed child collections may no longer be valid. Deferrals of distributions of collections could result in beneficiary complaints. The Government of Guam may also owe a portion of amounts escheated back to the Federal Government.
3. It is not possible to determine the effect given the absence of support for the account balance.
4. The bank account has been adjusted to clear dated reconciling items; however, the nature of the transactions has not been documented.

##### Recommendations:

1. Periodic monitoring of accounts should occur to ensure payments are debited to the correct liability account.
2. DOA should require that the Attorney General's office furnish them a schedule of UDC (Undistributed Collections) for each quarter.

The amounts undisbursed in the UDC schedule should then be added to amounts that comprise stale dated checks. The total should then be reconciled to the general ledger balance.

DOA should review and periodically reconcile the account. These amounts may also be a potential source of revenue for the general fund.

3. Staff should be assigned to investigate old collections. If some collections are still unidentified, an aged listing can be created and presented to the appropriate level of management. Management should determine the disposition of dated unidentified balances.
4. Bank credit and debit memos should be reconciled from the bank statement on a monthly basis. Supporting documentation should be filed with the bank reconciliations.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-28 – Deposits and Other Liabilities, Continued

#### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

#### Condition 1:

The Department of Administration provided specific responses to particular findings and generally concurs with the recommendations.

The Department of Administration undertook corrective measures and focused in providing resolutions to prior years' recurring audit findings and audit opinion qualifications. The entire Federal accounts receivable was restructured to reflect accounts receivable by Federal grantor agency instead of individual grantee agency. The Department of Administration also focused on the completion of the fixed assets listing and the resolution of the solid waste landfill issue. As a result, two qualifications were removed.

The Department of Administration hired additional accountants and may need to hire more to have that comport level of efficiency. With these additional accountants, the Department of Administration will aggressively resolve remaining recurring audit findings and prevent the occurrence of any new findings.

The Department of Administration will maintain its focus on any remaining opinion qualification and pursue aggressively for its resolution.

#### Condition 2:

This condition occurred and is recurring and the accounting mechanism is in place to apportion the share of the Federal government (75%) and the Local government of Guam (25%). In Fiscal year 2004, the Child Support Enforcement paid to the Treasurer of Guam (General Fund) an aggregate total of \$600,000 plus and apportioned accordingly to Federal and Local accounts.

Additionally, there was a schedule provided to support the Accounts Payable – Unclaimed Checks (Child Support) amounting to \$1.7M.

#### Condition 3:

This account was questioned last fiscal year 2003 audit, and responses and documentation was provided as to the nature of the account and the transactions posted into this account. The account was used then to accommodate the transferred bank balances of all the accounts of Guam Mass Transit Authority to the General Fund. In fiscal year 2003 audit, the contra account in fund 317 (Public Transit Fund) was accounts receivable, although in the unaudited financial statements it was an interfund receivable.

#### Condition 4:

The DOA agrees with this observation by the auditor. There were old debit and credit memos reflected in the bank statements for immaterial amounts that the Bank Reconciliation section was unable to resolve during the process of reconciliation in the prior years and was recently adjusted. This account is now inactive and a new account from another bank was opened.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-29 – Accounts Payable - Trade

#### Criteria:

1. Accounting transactions should be properly recorded and supported.
2. Accounts payable aging should be regularly reviewed to ensure that only valid accounts are recorded.
3. Accounts payable listings should be regularly reconciled to identify outdated transactions.

#### Conditions:

1. Of 41 samples tested, two samples were not properly supported by invoices or other information relating to the liability, as follows:

Amount	Check #
\$ 367,590.99	#000015006
\$ 197,721.95	#000015005

2. Accounts payable amounting to \$565,312 aged two or more years remains in the listing while more current balances have been liquidated.
3. Of the nine general ledger liability accounts tested, all nine accounts included invalid accruals as follows:

GL Account #	GL Account Description	GL Amount
110021110	Accounts Payable	\$ 4,403,379
110021120	Contract Retention	893,583
110021131	Bonds Payable	508,443
110021210	Social Security Deduction/Retention	545,928
110021490	Miscellaneous Deductions	353,670
110021590	Accrued Other Expenditures	5,359,120

Audit adjustments were proposed for the above amounts to correctly state these liability accounts as of fiscal year end.

Cause: There appears to be a poor internal control of filing supporting documentation of recorded transactions.

Effect: A potential misstatement of recorded payables result from this condition.

Prior Year Status: The above condition is reiterative of prior year findings.

Recommendation: We recommend that documentation be maintained on file to support recorded transactions.

#### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

Documentation substantiating these findings were retrieved and are pending audit review.

# GOVERNMENT OF GUAM

## Schedule of Findings and Questioned Costs, Continued Year Ended September 30, 2004

### Finding No. 04-30 – Special Revenue – Accounts Payable and Deferred Revenue

Criteria: Detailed subsidiary ledgers should be maintained and updated to ensure account validity. Furthermore, the subsidiary ledger should be reconciled with the general ledger and be made available for review.

#### Conditions:

A detailed aged payable ledger was not provided for the following accounts.

<b>Fund</b>	<b>GL Account</b>	<b>Amount</b>
293	129321110	\$10,077,616
293	129321590	<u>1,264,760</u>
	Total	<u>\$11,342,376</u>

Cause: There appears to be weak internal controls over ensuring that a detailed aged subsidiary ledger is maintained and updated and that the subsidiary ledger is reconciled with the general ledger.

Effect: This condition may result in a potential misstatement of accounts payable and deferred revenues.

Recommendation: The auditee should strengthen internal controls to ensure detailed aged subsidiary ledgers are maintained and updated and that the subsidiary ledgers are reconciled with the general ledger.

#### Auditee Response and Corrective Action Plan:

Lourdes M. Perez, Director, Guam Department of Administration, provided the following response:

The DOA disagrees with the finding. The auditor was provided an analysis and documentation and an explanation as to the nature of the transactions. The general ledger balance of the account as of September 30, 2004 was from a single accrual retroactive to September 30, 2003. The accrual made under this account was a duplication of an accrual under account 110021590. The balance of this account was subsequently adjusted down to zero to basically reverse all transactions that should not have been done and posted. All payments made against this account were transferred to account 110021590, which is the right and other accrual account.

#### Auditors' Response:

We recommend that detailed subsidiary ledgers be maintained and updated by the Department of Administration to reflect recorded balances in the general ledger. This matter was resolved through alternative audit procedures whereby we obtained a detailed listing of pending medical claims as of September 30, 2004 from the Department of Public Health, and proposed the necessary audit adjustments to the general ledger.

## GOVERNMENT OF GUAM

### Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits Year Ended September 30, 2004

	Prior Year Listed Unresolved Questioned Costs	Questioned Costs Resolved During the Year	End of Year
Unresolved Questioned Costs FY 98	\$ 2,305,544	\$ 2,305,544	\$ -
Unresolved Questioned Costs FY 99	15,116,122	8,552,795	6,563,327
Unresolved Questioned Costs FY 00	8,858,571	278,495	8,580,076
Unresolved Questioned Costs FY 01	9,817,389	4,290,653	5,526,736
Unresolved Questioned Costs FY 02	4,258,861	1,550,309	2,708,552
Unresolved Questioned Costs FY 03	<u>1,243,982</u>	<u>-</u>	<u>1,243,982</u>
	\$ <u>41,600,469</u>	\$ <u>16,977,796</u>	24,622,673
Add Questioned Costs for FY 2004			<u>514,486</u>
Total Unresolved Questioned Costs at September 30, 2004			\$ <u>25,137,159</u>

# GOVERNMENT OF GUAM

## Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits, Continued Year Ended September 30, 2004

CFDA #		2004	2003	2002	2001	2000	1999	Total
15.605/ 15.611	Fish and Wildlife Cluster	\$ -	\$ -	\$ -	\$ 339,414	\$ -	\$ -	\$ 339,414
15.875	Compact Impact	28,512	55,665	679,010	380,817	3,526,590	-	4,670,594
16.523	JAIBG	-	-	215,127	-	-	-	215,127
16.579	Byrne Formula Grant	-	277,427	-	-	-	-	277,427
16.710	COPS	-	-	1,721	-	-	-	1,721
17.258/ 17.259/ 17.260	WIA Cluster	289,027	185,584	-	-	-	-	474,611
20.205	Highway Planning and Construction	-	102,231	611,014	36,498	18,365	-	768,108
66.600	Environmental Protection	21,107	224,494	-	192,854	-	-	438,455
83.541	DUA	-	9,855	33,212	-	-	-	43,067
83.543	IFG	-	-	10,588	-	-	-	10,588
83.544	Public Assistance Grants	-	308,538	153,987	2,505,157	2,955,284	6,563,327	12,486,293
83.548	Hazard Mitigation Grant	-	-	-	145,150	17,012	-	162,162
84.186	Safe and Drug-Free Schools/ Communities	-	-	-	-	17,612	-	17,612
93.044	Aging Cluster	-	-	367,958	-	-	-	367,958
93.558	TANF	-	12,000	14,942	543,972	-	-	570,914
93.563	Child Support Enforcement	97,548	66,426	620,993	195,161	-	-	980,128
93.575	CCDF	-	-	-	633,606	-	-	633,606
93.667	Social Services Block Grant	-	-	-	89,865	-	-	89,865
93.778	Medicaid	62,592	1,762	-	464,242	2,045,213	-	2,573,809
93.994	Maternal and Child Health	<u>15,700</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,700</u>
	Totals	\$ <u>514,486</u>	\$ <u>1,243,982</u>	\$ <u>2,708,552</u>	\$ <u>5,526,736</u>	\$ <u>8,580,076</u>	\$ <u>6,563,327</u>	\$ <u>25,137,159</u>

# GOVERNMENT OF GUAM

## Summary of Unresolved Questioned Costs Arising from Prior Year Single Audits, Continued Summary Schedule of Resolved Prior Audit Findings as Represented by the Government of Guam Year Ended September 30, 2004

Finding #	CFDA #	Questioned Costs Resolved		Responding Office
			In 2004	
98-16	15.875	\$	205,835	U.S. DOI, OIA
98-17	15.875		2,099,709	U.S. DOI, OIA
99-02	15.875		3,147,789	OMB Circular A-133, Section .315(b)(4)
99-07	83.544		4,870,577	OMB Circular A-133, Section .315(b)(4)
99-08	83.544		534,429	OMB Circular A-133, Section .315(b)(4)
2000-12	83.548		278,495	U.S. DHS, July 15, 2005
2001-01	12.401		139,749	OMB Circular A-133, Section .315(b)(4)
2001-02	12.401		16,165	OMB Circular A-133, Section .315(b)(4)
2001-08	15.875		3,881,759	U.S. DOI via Summary Notes from BBMR
2001-19	66.600		30,053	OMB Circular A-133, Section .315(b)(4)
2001-23	83.548		182,889	U.S. DHS, July 15, 2005
2001-30	93.000		11,312	U.S. DHHS, January 28, 2005
2001-31	93.000		28,726	U.S. DHHS, January 28, 2005
2002-04	16.523		381,337	U.S. DOJ, June 20, 2005
2002-05	16.523		90	U.S. DOJ, June 8, 2005
2002-08	17.235		19,594	U.S. DOL, May 24, 2005
2002-10	17.258/259/260		779,472	U.S. DOL, May 24, 2005
2002-11	17.258/259/260		172,704	U.S. DOL, May 24, 2005
2002-15	66.600		83,266	U.S. EPA, February 15, 2005
	66.600		113,846	U.S. EPA, February 15, 2005
Total Resolved		\$	16,977,796	







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